

CURRENT HISTORY

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JANUARY, 1988

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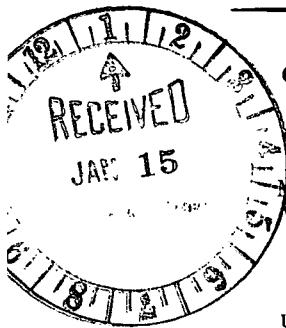
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Current History

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As the nations of South America enter the late 1980's, our lead article points out, "the security and the stability of the Western Hemisphere, including the United States, are ultimately much more threatened by the economic and social problems in Mexico and South America than by the civil wars in Central America."

The United States and South America

BY ABRAHAM F. LOWENTHAL

Professor of International Relations, University of Southern California

TWO broad and surprising trends—each a sharp reversal of the region's pattern in the previous decade—have shaped South American realities during the 1980's.* Rapid economic growth throughout the region from the early 1960's to the late 1970's has given way in the 1980's to a prolonged economic crisis. Nonetheless, political instability during the early 1960's and pervasive authoritarianism through the 1970's have been replaced by a strong regional turn toward democratic politics. These two major tendencies—one hopeful, the other deeply troubling—frame the context of United States-South American relations in the late 1980's.

South America's plague of repression during the late 1960's and the 1970's was so widespread that by 1975 only two countries on the continent—Colombia and Venezuela—still had civilian regimes that were brought to power on the basis of broadly participatory and competitive elections. Throughout South America, a new breed of modern "bureaucratic authoritarian" regimes snuffed out most political life: banning political parties, repressing trade unions, suspending constitutional guarantees—and institutionalizing torture, "disappearances," and other systematic violations of human rights.

South America's wave of repression crested in the mid-1970's, and the authoritarian regimes began to crumble by the end of the decade. These regimes were discredited by their lack of economic success, were unable to institutionalize political support at home and were disdained by international opinion, especially in the wake of the United States emphasis on human rights during President Jimmy Carter's administration.

By 1980, the central concern of South American poli-

tics was the transition from authoritarian rule: how and when it would occur in each country, and what kind of politics would take the place of authoritarianism. Since the early 1980's, South America's turn to democratic politics has gained momentum at a dramatic pace. By the mid-1980's, therefore, the key issue has become whether democratic politics can be consolidated throughout South America despite the economic crisis.

Perhaps the most significant political event of the decade in South America was the end of 21 years of military government in Brazil in 1985. The undisputed constitutional succession of Vice President José Sarney after the death of President-elect Tancredo Neves advanced the return to democracy in the continent's largest country. Municipal, gubernatorial and congressional elections have carried the process forward, and direct presidential elections may take place soon. Brazil's progress toward democratic consolidation is uncertain, however. Debate rages over whether the country's new constitution should be presidential or parliamentary; the nation's party alignments are fluid if not kaleidoscopic; tensions between the armed forces' hierarchy and civilian political leaders are evident; and the possibility of political polarization looms. The government's inability to solve its economic problems has raised basic questions about Brazil's direction.

The triumph of democracy in Argentina has been equally striking, but is also at risk. Raúl Alfonsín, elected President in 1983 in the aftermath of the military government's failed invasion of the Malvinas-Falkland Islands, strengthened his political position initially by boldly attacking Argentina's difficult economic problems, and then reinforced his mandate by bringing to trial the top military leaders responsible for human rights violations. That senior military officers (including former Presidents) could be sentenced to long prison terms was

*Adapted by the author from *Partners in Conflict: The United States and Latin America* (Baltimore: Johns Hopkins University Press, 1987).

nothing short of remarkable. But it has taken all of President Alfonsín's formidable political skill to keep Argentina's democratic renewal on track. A major civil-military crisis in mid-1987 was resolved only by granting important concessions to the armed forces. Economic problems have been mounting, fueling opposition. Congressional elections in October, 1987, led to a setback for President Alfonsín's party and brought the Peronista party back into a dominant position in the Congress.

In Peru, the peaceful transfer of office from President Fernando Belaúnde Terry to Alan García Pérez in 1985 was another impressive feat, but Peru's democratic consolidation is also in jeopardy. Despite economic and political deterioration during his term, Belaúnde had been the first elected Peruvian President in 40 years to turn the office over to an elected successor. The young and charismatic García quickly captured his country's imagination. However, Peru's main problems have proved to be deeply intractable, and 1987 saw intensified political polarization, the diminishing of García's popularity, and rumblings about military unrest.

The democratic trend in South America has been broad but vulnerable. In Uruguay, after a decade of harsh military rule, Julio María Sanguinetti was inaugurated as President in 1985, and the country has tried to return to the civilized political discourse for which it used to be known, but this could only be accomplished by a deeply controversial decision to ignore past violations of human rights. No one can be confident that a constitutional regime will last long in Bolivia, where for many decades coups have occurred once a year on the average. Ecuador's democracy continues to survive, but two military coups have been attempted, and bitter recriminations have occurred between the President and the civilian opposition.

Of the major South American countries, only Chile and Paraguay still have authoritarian regimes, but strong clamors for change are being heard in both nations. In Chile, where General Augusto Pinochet continues his long-term rule, the National Accord for a Transition to Full Democracy, arranged through the Archbishop of Santiago, established agreement on principles and procedures among 11 parties embracing a broad political spectrum. The Pinochet regime is isolated within Chile and internationally; it clings to power by force, ironically aided by the Communist party's violent opposition. Alfredo Stroessner, Paraguay's leader since 1954, also faces growing criticism from the Church and other sectors, as well as the democratizing influence of neighboring Argentina and Brazil.

But there have been setbacks and threats to South America's democratic trend, even in some countries where democratic practices are most enduring. In Colombia, where civilian politics has been uninterrupted for a generation, President Belisario Betancur's efforts to negotiate an end to a guerrilla insurgency collapsed in 1985. The country was rocked by the rebels' seizure of

the supreme court building and the resulting death of scores of hostages, including 11 justices of the court. Since then, increasing violence and the breakdown of negotiations with guerrilla groups have shaken national confidence. Even in Venezuela, the most stable democracy in South America, falling standards of living have created antagonisms among former allies and weakened public trust.

Yet South American democracy has gained important ground through the 1980's. Several factors produced the openings for democracy. Many different groups during the 1970's came to understand the value of democratic politics. Military officers began to see how political involvement could damage their institution's coherence and morale. Would-be revolutionaries learned to appreciate political freedoms and "bourgeois" electoral procedures. Many business and conservative leaders came to regard participatory politics as a sounder basis for long-term stability than authoritarian rule.

These reasons for a turn toward democracy were reinforced during the mid-1980's. Despite drastic economic reverses and declining living standards, there was little social upheaval and political radicalism in most of South America. Popular frustrations were constructively invested in the efforts first to end authoritarian military regimes, and then to choose, install and support civilian successors. The turn toward democracy in South America—responsive to a more unchanged, literate, and politicized population than ever before in the region's history—means more than just another turn in the cycle, but it is still very fragile; vulnerable to economic collapse, social strain and political extremism.

ECONOMIC DISTRESS

After a generation of economic growth, South America has experienced a prolonged economic crisis during the 1980's—a recession worse than any since the Great Depression of the 1930's. The underlying causes are structural problems arising from inequitable growth, limited domestic markets, excessive reliance on external debt and overgrown public sectors. But these problems have been aggravated by external forces: excessive oil price hikes in the 1970's; high interest rates; sluggish demand for commodity exports to the industrial countries; increasingly adverse terms of trade for Latin American products; the growing impact of protectionism in Organization for Economic Cooperation and Development (OECD) markets; and, most recently, the effects on the petroleum-exporting countries of precipitous price cuts, and the drying up throughout the region of commercial bank credit.

The statistics on Latin America's distress are stark. Production per capita has fallen about 7 to 8 percent since 1980, and real income per capita has dropped by as much as 10 percent, if the terms of trade effects are considered. Individual income has regressed to 1977 levels; a full decade of growth has been lost. In many coun-

tries—including Argentina, Bolivia, Chile and Peru—per capita income has declined to levels of the early to mid-1960's. As petroleum exporters, Mexico, Venezuela and Ecuador benefited from the oil-fueled expansion of the 1970's, but all three countries were then severely affected by the drop in oil prices. Of the 20 largest countries in Latin America, only Brazil and Colombia avoided an economic disaster in the mid-1980's, and Brazil's strong economic recovery faltered badly in 1987.

Rates of unemployment and underemployment remain high in many countries, upward of 40 percent in some. Hardships caused by unemployment and low wages have been compounded by deep cuts in public expenditures for health, housing, education and social security. Malnutrition is worsening in some nations, and infant mortality is on the rise in a few.

Six years of debt management have enabled commercial banks in the United States, Europe and Japan to reduce their exposures in Latin America and the Caribbean, but Latin American countries have not yet been able to resume sustainable growth. The apparent recovery that many nations began to experience in 1984 was short-lived for most, and no Latin American economy has yet managed conclusively to escape the debt trap.

The region's external debt, which totaled more than \$400 billion in 1987, is truly staggering. The ratio of debt to exports, a standard measure of the capacity to repay, deteriorated sharply from 1980 to 1983, and Latin American export drives have not succeeded in improving the ratio. More than one-third of Latin America's export earnings are devoted to interest payments.

In 1987, for the sixth consecutive year, the total flow of funds to Latin America from loans and investments was substantially less than interest payments and the profit remittances of foreign companies. During this six-year period, Latin America transferred approximately \$150 billion to the industrialized countries, an amount equal to almost 5 percent of the region's total product for the period. About one-fourth of Latin America's savings have been drained each year for interest payments, sharply reducing the funds that are available for investment. Capital flight on a massive scale has further diminished domestic investment and consumption. Investment is down about 25 percent during the 1980's in the region as a whole; some countries—including Argentina, Peru and Uruguay—have been even harder hit.

Latin America's economies are caught in a vicious circle. Because they have had to devote so much of their savings to servicing the debt, the countries of the region have undercut their ability to invest, grow and improve their creditworthiness. The region's depressed economies provoke capital flight, further eroding the base for economic growth.

The exhilarating revival of democratic politics assuaged popular discontent earlier in the decade, but now many civilian regimes are encountering sharper dissatisfaction. Throughout Latin America, labor unrest is

growing. In countries as diverse as Argentina, Brazil, Jamaica, Ecuador, Barbados, Peru, Bolivia and the Dominican Republic, incumbent governments have been defeated or severely weakened since the mid-1980's, largely because of prevailing economic conditions. Latin America's democratic leaders cannot continue telling citizens to tighten their belts without providing some hope that relief is in sight. By the end of 1987, eight Latin American countries, including Brazil, were substantially in arrears on the servicing of their debt, as domestic pressures mounted to stop interest payments. The danger is growing in many countries that debt defaults and political extremism may become more appealing.

THE AMERICAS AT ODDS

North Americans and Latin Americans have approached the juxtaposition of political opening and economic contraction with contrasting perspectives. In the United States, and especially within the administration of President Ronald Reagan, many have assessed the Western Hemisphere with satisfaction. Perhaps because it is concerned primarily with the commercial banks and the international financial system, the United States government has affirmed repeatedly that Latin America's debt crisis is slowly but surely being overcome. Washington has been heartened by indications that Latin Americans are abandoning statist economic policies, and are relying instead on the marketplace and on foreign investment to strengthen their economies. Washington seems confident that Latin America's largest economies will revive after a necessary period of "structural adjustment"—that is, after a strong dose of austerity and Reaganomics.

The Reagan administration has also welcomed Latin America's turn toward democracy, attributing this trend largely to United States policy. It has assumed that Latin Americans are grateful to the United States and has expected inter-American relations to become more cordial as a result. United States officials are impatient with Latin American attempts to obtain economic concessions, and with Latin American criticisms of United States policy in Central America. But these are minor irritants in what United States officials perceive as a favorable state of inter-American relations.

Many Latin Americans, by contrast, are dissatisfied and apprehensive. They see no end to the region's economic distress and little evidence that the United States will help relieve it. They worry whether Latin America's democracies can endure prolonged deprivation and austerity. They also fear that Washington's intense focus on combating communism in Central America will not only damage that region, but will also have a polarizing effect elsewhere in the Hemisphere.

Latin Americans who look to the United States for leadership on economic issues have been disappointed. Intermittent indications of United States concern have often dissipated. The United States government provid-

ed emergency assistance in 1982 to Mexico and Brazil, but it then resisted efforts to expand the resources of the World Bank and the International Monetary Fund (IMF). Since 1982, Washington has preferred not to be drawn into the deliberations of the private commercial banks on debt reschedulings.

The Baker Plan (the proposals advanced by Treasury Secretary James Baker in October, 1985, as a belated United States response to the debt crisis) was greeted with limited enthusiasm by knowledgeable Latin Americans. The plan called for increased lending to Latin American and other major third world debtors to a level of \$29 billion in three years. This flow of finance would be conditioned on the debtors' adoption of market-oriented programs for economic recovery: trade liberalization, privatization and measures to attract foreign investment. Latin Americans welcomed Secretary Baker's recognition of the priority of growth, but many regarded the recommended funding levels as inadequate and saw the structural reform conditions the plan would impose on debtors as too uniform and intrusive. Additionally, the plan's most positive aspects—its provisions for additional resource transfers to Latin America—have scarcely been implemented, except in the case of Mexico.

Latin America's democratic leaders are ready to cooperate with the United States, but they have found Washington to be not so much an ally as an obstacle to progressive reform. Forced to implement painful austerity programs, many Latin Americans complain that although the United States has talked eloquently about promoting democracy, it has done little to alleviate their financial pressures. They perceive that the United States government has preached economic discipline abroad, but has run up unprecedented domestic budget deficits that have contributed to high interest rates. Latin American leaders are prepared to cut back bloated public sectors, but they resent homilies from Washington on the virtues of the free market and foreign investment.

Latin America's pragmatic new leaders have had to confront a United States administration they regard as disconcertingly ideological. A generation of profound regional transformations have made Latin America more assertive internationally; yet top officials there have had to cope with a United States government that is more unilateral and interventionist than any in memory. Instead of obtaining much help from the United States government to resolve the Hemisphere's staggering economic problems, Latin Americans find that Washington is obsessed with Central America.

The juxtaposition of United States complacency and Latin American apprehension—compounded by the sharp contrast between Latin America's preoccupation with economic problems and the insistent United States focus on Central America—could intensify conflicts that are based on conflicts of interest between Latin America and the United States.

During the past generation, the inherent tensions be-

tween the United States and Latin America, which arose from fundamental asymmetries in the Western Hemisphere, have been strongly reinforced by major shifts in the Hemisphere's political economy. The larger Latin American nations now export industrial and nontraditional agricultural products that can successfully compete with those from the United States, while the declining efficiency of certain sectors of the United States economy has fed protectionist pressures. In combination, these factors have exacerbated conflicts over trade.

Latin America's massive indebtedness has produced a sharp tension between the region's imperatives to resume growth and to improve welfare and the United States aim to protect the stability of international finance. Strong pressures in Latin America to reduce imports in order to maintain debt repayment schedules have raised barriers to United States exports. Friction has grown over the burgeoning drug traffic entering the United States from the countries of Latin America. Conflicts have also emerged over the increased demand for emigration from Mexico, Central America and the Caribbean—again, in part a result of the economic crisis.

All these sources of conflict in United States-Latin American relations are bound to be aggravated if the region's economic distress is prolonged, and particularly if the perception grows that Washington is not very concerned about Latin America's plight.

If Latin America's massive debt service burden is not reduced, it will be increasingly difficult for the democratic regimes to generate hope that sustainable growth can be resumed. Adverse consequences will surely follow. Parties that have refrained from fratricidal competition during the delicate process of democratic transition will succumb to the urge to attack incumbents. If economic and social conditions deteriorate, insurgent movements that until now have had relatively limited backing may broaden their appeal. Narcotics traffickers will surely take advantage of weakened national governments to expand their control of enclaves within Latin America. Counterinsurgency and antinarcotics operations, in turn, could contribute to renewed repression, rekindling the dynamics of instability.

Even more likely, prolonged stagnation or depression in Latin America could push some countries in an extreme populist direction. If foreign banks and investors appear to prosper while Latin America suffers, populist leaders may blame their countries' problems on the banks, the foreign corporations, the IMF and, as the power supposedly behind all of them, the government of

(Continued on page 42)

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"It must be remembered that Argentina is a third world country that lacks democratic traditions. If its economy deteriorates and its democratic government proves ineffective, apathy and frustration will grow. Then, the day may come when the memory of Argentina's unpleasant past will seem no worse than the present."

The Decay of Democracy in Argentina

BY PIERO GLEIJESES

Associate Professor of American Foreign Policy and Latin American Studies, Johns Hopkins University

THE Argentine people are stumbling forward, while casting nostalgic glances back to a distant past of lost glory. It is true that in December, 1983, a wave of enthusiasm shook the country, as a discredited and humbled military relinquished power, and President Raúl Alfonsín assumed office. Democracy had arrived, and democracy, it was said, would cure the ills that consumed the nation: a \$45-billion foreign debt; an inflation rate of 600 percent per year; and real incomes that were lower than they had been in 1970.

Four years have passed, and congressional and local elections were held in November, 1985, and in September, 1987. On both occasions, the elections were free and peaceful. Furthermore, the 1987 elections were the third consecutive free elections in Argentina—the most for that country since 1928. "Regardless of which party may have won, the Argentine people are the winners," stated Congressman Jesús Rodríguez, a leader of the Radical Civic Union, which did not fare well in the last elections. This same upbeat view was expressed by *The New York Times*.¹

Although these free elections are a victory for democracy, Argentines are not celebrating. They face a slow, painful road toward economic recovery—a road that could eventually lead them back to the standard of living they enjoyed 15 years earlier. Political freedom seems secure, for a time; but the military lurks in a corner. In April, 1987, for the first time since Raúl Alfonsín became President, the military openly defied civilian society, and a stalemate ensued. Many people shuddered, remembering Brecht's words: "the womb is still fertile from whence the hideous beast emerged."

For the Argentines, their country's straits are all the more painful because they are haunted by a past that the passage of time and a succession of failures have made all the more alluring. There was a time—the first three decades of this century—when Argentina had a strong economy and the sixth highest per capita income in the world; a time when Argentina seemed poised to become the leader of Spanish America, to which it felt tied by geographical rather than cultural links—for the

Argentines believed (and many still do) that Argentina is the outpost of Europe in Latin America.

But the outpost has failed to thrive; rather, a sense of material and intellectual decay pollutes Argentina and explains why Buenos Aires is riddled with psychoanalysts—the response of large segments of its middle class to the ravages of the *Mal Argentin*.

At the outset of his presidency Raúl Alfonsín offered hope that the economy could recover while the standard of living rose. The well-being of the people would not be hostage to the greed of foreign bankers; the foreign debt would be paid at a pace and to an extent that would be compatible with the interests of the nation. Not only had Argentina ceased to be a pariah in the international councils, but it had many friends—the European democracies in particular. They would help the new Argentina to resist undue pressure from the United States and the foreign bankers. It was a glittering prospect: Europe would rush to the assistance of Argentina, its democratic outpost in Latin America.

The European governments did praise Argentina's new democracy and express their admiration for Alfonsín, but they also urged the country to pay its debts, and to heed the advice of the International Monetary Fund (IMF) and the creditor banks. In Argentina, inflation skyrocketed to an annual rate of 1,900 percent by June, 1985, while the gross domestic product (GDP) fell by over 5 percent in the first six months of the year.

THE AUSTRAL PLAN

There was no panacea, President Alfonsín told the people as he unveiled the Austral Plan in June, 1985. The party stalwarts who had led the government's economic team during its first, voluntarist phase were already being replaced by a group of brilliant technocrats who were willing to listen to the IMF and the World Bank. Argentina became the model pupil. Virtue was rewarded. By late 1985, inflation had fallen to 3.5 percent per month. In the November, 1985, congressional elections, the Radical Civic Union (UCR) polled 43 percent of the vote—6 percent less than it had won in 1983. It was a defeat that the UCR celebrated as a victory, because their rivals, the Peronists, finished with only 34 percent of the vote.

¹Jesús Rodríguez, "La Fiesta de la Democracia," *Clarín*, September 7, 1987, pp. 28-29; "Democracy is Declared the Winner," *The New York Times*, September 7, 1987, p. 2.

Optimism ran high among the UCR leaders in 1986; the Peronists were mired in internal struggles and were unable to define a coherent program, while Alfonsín's popularity was at a peak. The results of the Austral Plan, while by no means extraordinary, seemed encouraging: inflation ran at an annual rate of 82 percent and the GDP rose by 5.5 percent over the previous year (when the GDP had fallen by 4.8 percent). In the morass of Argentine statistics, it was impossible to state the social cost of the Austral Plan with any precision—possibly real wages decreased only slightly, if at all, while pensioners suffered heavy losses.

The initial enthusiasm of the Argentines had waned with the realization that democracy and economic well-being were not synonymous; yet many trusted the government's promise that the economy was improving and that the population would soon be better off. In April, 1987, the government announced a major success: the foreign debt had been renegotiated on most favorable terms. Minister of the Economy Juan Sourrouille stressed "that three things had made the agreement possible: the seriousness of the government's economic policy; the acceptance of this policy on the part of the creditor banks; and the government's insistence that Argentina's economic growth is not negotiable."²

A few weeks later, Sourrouille's words were confirmed: Barber Conable, president of the World Bank, stated that the Austral Plan was "an excellent program" that deserved the support of the international banks—this was, remarked an Argentine daily, "unprecedented praise." Conable's words were warmly endorsed by William Rhodes, chairman of the committee of creditor banks, who extolled Alfonsín's "courage."³ This effusive praise was particularly welcome, for it came at a time when President Alfonsín's military policy was threatening to unravel.

Of all the Latin American countries that returned to civilian rule in the 1980's, in Argentina alone did the military step down after a defeat. The defeat that destroyed the army came at the hands of the British in the Falklands conflict, not at the hands of the Argentines. Thus, while the military was weakened, there was no corresponding strengthening of the civilian society. In Alfonsín's own words, "it wasn't exactly the storming of the Bastille."

MILITARY POLICY UNRAVELED

This ambiguous reality influenced Alfonsín when he became President. He preferred that only a few officers be tried for human rights violations, and he wanted the

²"Disminuye el peso de los intereses de la deuda," *La Nación*, April 16, 1987, p. 1. The package was nearly identical to Mexico's (the best obtained by any debtor country).

³Quotes from "Para el titular del Banco Mundial, es un programa excelente" and "La banca acreedora elogió el 'coraje' de Alfonsín," *Clarín*, May 13, 1987, p. 18.

⁴"Alfonsín dijo que no habrá concesiones," *La Nación*, April 18, 1987, p. 12.

military courts to judge them in closed session. Argentina, he believed, could not afford to punish its military more harshly.

But the military refused to punish its own, and after much delay, the cases passed to the civilian courts. The public trial of nine members of the junta that had ruled Argentina between 1976 and 1982 shook the country—and so did the public inquiry and the final report of the commission appointed by Alfonsín to investigate the fate of the disappeared (a commission that proved far more outspoken than he had expected). As a world of nightmare was exposed in lurid detail, Alfonsín's assertion that only a few officers were on trial—not the armed forces as a whole—rang increasingly hollow.

By December, 1986, the shadow of jail was falling on hundreds of officers, as human rights organizations and private citizens were busily gathering evidence against them. Alfonsín intervened: on December 24, at his request, Congress voted the *Ley de Punto Final*, which set a 60-day deadline for indictments.

As a UCR official pointed out, this strict deadline "was meant to ensure that only a few more officers would be tried, and that the rest would be able to sleep peacefully, if their conscience let them." But the ploy backfired when the courts proceeded to indict hundreds of officers. The stage was set for the next act.

On April 17, 1987, 150 officers and troops seized the Infantry School at Campo de Mayo, on the outskirts of Buenos Aires. They demanded an end to the "vicious and interminable attacks" on the armed forces and the resignation of the army chief of staff, who had not protected the military from "injustice and humiliation." Their leader was Lieutenant Colonel Aldo Rico; there were no generals nor full colonels among the group. They represented the military youth.

Three days followed such as Argentina has never known. Many times, its citizens have taken to the streets in support of a political leader or a political party. But never before had Argentines of rival political persuasions joined together, by the hundreds of thousands, to defend the constitution. "There is nothing to negotiate. The democracy of Argentina is not up for discussion," proclaimed President Alfonsín in the National Congress.⁴ Foreign governments, among them the administration of United States President Ronald Reagan, expressed their support in the firmest possible terms. No military unit joined the rebels, and on the government's orders, General Ernesto Alais, the commander of the army's Second Corps, advanced with his troops to put down the mutiny.

On April 19, President Alfonsín left the presidential palace in a helicopter to demand the surrender of the rebellious officers. Two hours later he returned, announcing the rebels' surrender. Never had Argentina's democracy appeared so strong. But this strength was deceptive, as was Alfonsín's announcement of victory on his return from Campo de Mayo. General Alais may

have wanted to put down the revolt, but his officers refused to cooperate—in fact, no military unit was willing to move against Lieutenant Colonel Rico. The unprecedented popular outpouring in favor of constitutional government was countered by an equally unprecedented sitdown strike by the military.

It was a stalemate. No one knows exactly what Rico and Alfonsín told each other, but Rico's "surrender" was accompanied by a series of concessions by the government (including the resignations of the army chief of staff and General Alais) and by passage of the Law of Due Obedience, which Congress approved on June 5.⁵

Essentially, the Law of Due Obedience stated that all crimes committed between 1976 and 1983 by military men who were at the time below the rank of colonel (which included colonels and brigadier generals) were not subject to prosecution.⁶ The perpetrators, it was presumed, had been "obeying orders." (The following crimes would still be prosecuted: rape, the abduction of minors and the appropriation of real estate through extortion.) In the eyes of President Alfonsín, who tirelessly prodded Congress into approving the law, the Law of Due Obedience had a crucial virtue: it freed all but a handful of superior officers (none of whom was on active duty) from the specter of the jail.

"I am not happy," Alfonsín told Congress, "that men who may be guilty of horrible crimes remain free"—necessity was the argument he invoked to overcome the resistance of many Congressmen. Alfonsín also claimed, less persuasively, that Argentina's democracy was strong and that forgiveness was the attribute of a strong state.⁷

Forgiveness may be a Christian virtue—but "reconciliation should be preceded by . . . self-criticism and repentance," observed Congressman José Manuel de la Sota; the Argentine military has never expressed any repentance, nor has any individual officer.⁸ Rather, during the congressional debate on the Law of Due Obedience and throughout the summer, the army demanded

⁵In fact, Alfonsín apparently confirmed the terms of an agreement for Rico's surrender that had already been agreed on; see also "La Decisión de Alfonsín," *Clarín*, April 20, 1987, p. 4.

⁶Although Alfonsín had intended the law to benefit only those under the rank of colonel, the Senate, under pressure from the military, broadened the law to cover everyone but the commander in chief, the commander of military zones and sub-zones, and the chiefs of security forces.

⁷"Discurso de Alfonsín," *Clarín*, May 14, 1987, p. 7.

⁸José Manuel de la Sota, quoted in "El Extenso debate en la Cámara baja," *Clarín*, May 16, 1987, p. 4.

⁹"Dialogo Informal con Caridi," *Ambito Financiero*, August 3, 1987, p. 36. See also: "Reivendicó Caridi la lucha antisubversiva y reclamó soluciones para las secuelas," *Clarín*, May 30, 1987, p. 2; "Caridi exaltó a Aramburu y la lucha antisubversiva," *Clarín*, June 2, 1987, p. 7; "El Ejercito aguarda una pronta reivindicación," *La Nación*, July 26, 1987, p. 1; "Tercer reclamo de Caridi," *La Razón*, August 13, 1987, p. 5; "Los Militares," *La Prensa*, September 12, 1987, p. 1.

that society pay homage to its war against subversion. Thus spoke the army's new chief of staff, General José Caridi:

Holy Week gave the army a political advantage that it has no intention of surrendering. It also gave civilian society a warning. Here we stand. We are determined to defend our values. . . . No more attacks by the government-controlled press!⁹

As they listened to General Caridi, many Argentines wondered whether the Law of Due Obedience was merely the inglorious conclusion to the military trials—or a step back along a painful and familiar road. The military had bared its fangs. What would it do next? This fear was not discussed openly during the electoral campaign. None of the major parties wanted to provoke the armed forces; none had any solutions. Attention was focused, instead, on the economic crisis.

ECONOMIC AND POLITICAL PROBLEMS

World Bank President Barber Conable proved a poor prophet. Having been barely contained through the first months of 1987, inflation surged by midyear: it was 8 percent in June; 10.1 percent in July; and 13.7 percent in August. While real wages fell, the press reported other disturbing news: the budget deficit was growing beyond the government's worst expectations; the trade surplus (which would help pay the interest on the foreign debt) was far below the official forecasts; the gap between the official and the free exchange rates of the austral was widening; and foreign currency reserves were dangerously low.

It was in August, against this backdrop, that Argentina signed the debt-restructuring agreement that had been announced the previous April. What had been hailed in April was now lamely defended by the government as a temporary step in its search for a real and permanent solution to the debt problem.

The Radical Civic Union party had intended to use the September electoral campaign to promote its vision of a new Argentina—and to urge immediate constitutional reform to create a semiparliamentary system and to allow presidential reelection (i.e., a second term for Alfonsín). But the people were concerned with rising prices, not with constitutional changes. And on economic matters, the UCR had little to say. Its battle cry was that the economy under the Peronists would fare far worse.

Unperturbed, the Peronists sallied forth, lacking both a leader and an economic program. Their twin weapons were their fervent attacks on the debt agreement and their equally fervent pledges that they would bring economic growth and social justice to Argentina.

"A Triumph for the Peronists," blared *Clarín* on September 7, 1986. In the results of the congressional elections, the Peronists won 41 percent of the vote and the UCR 37 percent. The Peronists also won the governorships of 16 of the 22 provinces—including the biggest

prize, the province of Buenos Aires, with one-third of the nation's population.¹⁰

In the 1985 congressional elections, the UCR had led with 43 percent of the vote, while the Peronists limped behind with 34 percent. The shift in power in 1987 means that constitutional reform before 1989 is unlikely; reform that would allow President Alfonsín to seek a second term is out of the question. The UCR and the Peronists must cooperate for the two remaining years of Alfonsín's presidency or the country's political life will be paralyzed.

The two parties have much in common. Both are essentially parties of the center, and both lack clear programs. The UCR is proud of its democratic traditions, but President Alfonsín, who has so successfully projected the image of a warm and moderate leader, has ruled the party with an inflexible hand, stifling internal debate and operating through a coterie of insiders—political bosses like Enrique Nosiglia and Leopoldo Moreau who carry the scent of corruption. For their part, the Peronists entered the constitutional period in 1983 with tarnished democratic credentials. In the years that followed, the more authoritarian wing of the party, the *ortodoxos*, lost ground to the *renovadores*, who sought to combine the mystique of former President Juan Perón with a sincere commitment to democracy.

Whereas the UCR fought the 1987 elections behind the standard of Alfonsín, the Peronist barons joined the battle as a loose confederation. Some raised the *ortodoxo* standard, while others called themselves *renovadores*. There were alliances and shifting loyalties, but there was no leader. The September ballot sealed the supremacy of the *renovadores*. They must now forge a cohesive party and choose the man who will lead them in the 1989 presidential contest. By virtue of his new status as governor of the province of Buenos Aires, Antonio Cafiero is now the *primus inter pares*. Others wait in the wings, their ambitions whetted by the possibility of a Peronist victory in 1989. They, and Governor Cafiero, lack charisma. But so do the UCR leaders, except for Alfonsín.

There is little debate between the two parties about

¹⁰The elections were for half (127) the House seats, the governors of all provinces and lesser officials. In the House, the UCR lost 13 seats and thus the majority (and was left with 117); the Peronists now hold 108 seats (5 more than they held in 1985). With 5.7 percent of the congressional vote, the Conservative Union of the Democratic Center leads the pack of minor parties.

¹¹On Argentina's foreign policy, see the quarterly *América Latina/Internacional* (FLACSO, Buenos Aires). For a recent study, see the excellent analysis by Roberto Russell, "El Caso de Argentina," in Monica Hirst and Roberto Russell, *Democracia y Política Exterior: Los Casos de Argentina y Brasil* (Buenos Aires: FLACSO, August, 1987), pp. 1-25.

¹²See for instance "El discurso de Alfonsín en la UIA," *La Nación*, September 10, 1987, p. 22; "La Deuda, otra vez en crisis," *Somos*, September 23, 1987, pp. 47-48; "Caputo instó a una solución por las Malvinas y cuestionó la deuda externa," *Clarín*, September 26, 1987, p. 8; "Debemos mucho, queremos más," *Somos*, September 30, 1987, pp. 18-19.

foreign policy.¹¹ Like most Argentines, the Peronists are painfully aware of their country's growing irrelevance in the world. "If a nuclear bomb were to obliterate Argentina," lamented one Peronist Senator, "the world wouldn't even notice. We used to believe that we fed the world with our meat and our grains. Now we are known only as the country of [soccer star Diego] Maradona—and he doesn't even bank here." Hence the Peronists welcomed the July, 1986, integration agreement with Brazil, the cornerstone of Alfonsín's Latin American policy. A special relationship with the Brazilian giant offers the prospects of economic cooperation, of a common front on the debt question and of mutual support of democratic institutions.

But the benefits of the Brazilian partnership are in the future, and the present focus of Argentina's foreign policy remains the United States. Perón's heirs agree with Alfonsín: Argentina, with its unruly military and its troubled economy, needs Washington's goodwill. The Reagan administration appreciates Alfonsín's domestic economic policy, his reasonable stance on the debt and his desire to mute differences with the United States. Thus, since 1985, relations between the two countries have been excellent.

The Peronists have broken ranks on the debt question. Their critique of the April, 1987, agreement was merciless, and was rewarded at the polls. But Alfonsín is now demanding new concessions from Argentina's creditors. His strongest argument will be the simple fact that his country cannot pay. The Austral Plan has failed; there is not enough foreign currency to honor the country's commitments.¹²

In 1986, inflation decreased and the GDP grew, but this occurred under the artificial conditions of wage and price controls. Such a policy, however, could not be sustained forever under artificial conditions. As the government was forced to relax the artificial restraints, inflation surged. Argentina faced once again the vicious dilemma: a choice between rampant inflation or an austerity policy that would reduce economic growth.

A VOLATILE FUTURE?

Many ills still bedevil the Argentine economy. There are external causes: the service of the debt, the deterioration of the terms of trade and the loss of traditional markets for the country's agricultural exports. And there are also domestic structural problems. The Argentine government, which once played a key role as an engine of economic growth, is as large as it is inefficient. State enterprises swell the budget-deficit, produce goods and services notorious for their poor quality and devour re-

(Continued on page 43)

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"Colombia is experiencing a political crisis that has been accompanied, paradoxically, by a strong economic recovery. . . . Undoubtedly, the extensive violence in selected rural areas has impacted negatively on economic productivity, especially in agriculture and petroleum, but not to the point of halting economic growth."

Colombia's Political Crisis

BY GARY HOSKIN

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THE stability of the Colombian political system is currently threatened by pervasive violence that seems to be mounting; this violence is rooted firmly in the Colombian political culture and not restricted solely to insurrectionary activity of guerrilla movements. But Colombians are accustomed to violence, insecurity and anxiety that stem from the structural inequalities of their society, and their formal democratic institutions forcefully reflect these societal characteristics. In short, crisis has become a highly institutionalized component of the Colombian political system, to a degree that makes it difficult to ascertain whether the current crisis represents "normal politics" or a deviation that signals a significant political change. While disagreement may prevail as to the ramifications of the contemporary crisis, there appears to be a consensus that the current wave of discontent constitutes the most serious threat to the political system since the *violencia* of the 1940's and 1950's.

In a recent speech, former President Carlos Lleras Restrepo urged Colombians "to open their eyes to reality and realize the internal and external dangers that face the country. . . . Colombia never has experienced a larger threat than it faces in these days."¹ The threat reflects escalating violence caused by confrontations between the military and guerrilla groups, paramilitary activity oriented toward "cleaning up" the country and opposition associated with labor unrest, civic strikes and *campesino* marches, all of which reflect an inability of the two traditional political parties to channel societal demands through the political system. The peace process initiated by former President Belisario Betancur Cuartas is grinding to a halt; the current government, while welcoming the reincorporation of guerrillas into the political

system through institutional channels, is turning increasingly to the military for pacification of the country. Ironically, the increase in violence has been accompanied by a dramatic upturn in the economy, in contrast to the Betancur period, when the peace process reduced the number of armed confrontations in the midst of the worst economic recession Colombia had experienced since the 1930's.

This analysis of the current crisis in Colombia will focus primarily upon the first year of President Virgilio Barco Vargas's administration (August, 1986, through September, 1987). This is a complicated endeavor, not only because of the problems associated with such a brief period of time and with placing policies within the structural context in which the government operates, but also because of the intense internal debate about government policy and President Barco's leadership capabilities.²

THE DEMOCRATIC EXPERIENCE

Formal democracy has prevailed in Colombia during most of the present century, a tradition that has not been replicated extensively in Latin America. The Colombian political system is anchored firmly in a two-party system. The general contours of this system emerged in the mid-nineteenth century, when the dominant features of Colombian society were an export-oriented economy that depended highly upon coffee production, and an elite political culture that stressed civilian rule and liberal traditions.³ Since the institutionalization of the two-party system, the Liberal and Conservative parties have faithfully represented the oligarchical power structure that prevails in Colombian society. Challenges to the traditional power structure, sustained by a highly stratified social system and by restricted rates of political participation, have been thwarted consistently throughout Colombian history. The dominant groups have demonstrated their ability to mobilize resources at crucial junctures in the country's development when serious threats appeared.

Thus, the National Front was not a unique experience when it was negotiated and approved in 1957. It was designed to return control of the government to the two traditional parties, after General Rojas Pinilla expressed an interest in extending his rule.⁴ Unlike previous govern-

¹*El Tiempo* (Bogotá), August 26, 1987.

²See the editorial in *El Tiempo*, August 7, 1987, for a statement supportive of the President. For critical evaluations, see a column by Antonio Caballero in *El Espectador* (Bogotá), August 23, 1987.

³For an excellent analysis of the liberal democratic tradition in the post-Independence period, see David Bushnell, *The Santander Regime in Gran Colombia* (Newark, Del.: The University of Delaware Press, 1954).

⁴Consult the following for discussions of the National Front: Robert Dix, *Colombia: The Political Dimensions of Change* (New

ing coalitions, the National Front was institutionalized through a constitutional plebiscite; the plebiscite provided for a Liberal-Conservative monopoly of power, alternation in the presidency, and sharing of all legislative, executive and judicial positions from the national to the local levels of government. Restrictions on interparty competition at the national level expired before the 1974 elections, even though the sharing of bureaucratic offices continued through President Alfonso López Michelsen's government (1974-1978).

However, the National Front did not expire with the termination of the López government, as a consequence of the 1968 constitutional reforms which, according to Article 120 of the constitution, require the President to appoint public officials in such a manner as to give "adequate and equitable" representation to the major party not controlling the presidency. Because this provision was respected by Presidents Julio César Turbay (1978-1982) and Betancur (1982-1986), the sharing of government posts continued as it did during the National Front. But after his landslide victory in 1986, President Barco did not form a coalition government, thereby returning Colombia to a system of full interparty competition after an interlude of over 40 years.⁵

The National Front coalition was envisioned as a mechanism to curb interparty competition through sharing government posts and demobilizing the citizenry, thereby removing two major sources of extensive societal violence. In this respect, the National Front was highly successful. But the costs associated with the extended period of coalition government did not become fully manifest until the Turbay administration. The absence of incentives for party leaders to form strong organizations, capable of adapting to the rapidly changing contours of society, contributed forcefully to the expanding gap between the politicians and the civil society. This is somewhat paradoxical, considering that the two traditional

Haven: Yale University Press, 1967); Ronald Hellman, Albert Berry, and Mauricio Solaun, eds., *Politics of Compromise: Coalition Government in Colombia* (New Brunswick, N.J.: Transaction Books, 1980); and Jonathan Hartlyn, "Military Governments and the Transition to Civilian Rule: The Colombian Experience of 1957-1958," *Journal of Interamerican Studies and World Affairs*, vol. 26 (May, 1984).

⁵President Barco did respect Article 120 of the constitution by offering the Conservative party three ministries, but in light of his campaign for a Liberal government and an offer of what they considered too few Cabinet positions, the Conservatives went into the opposition.

⁶Gary Hoskin, "Colombian Political Parties and Electoral Behavior in the Post-National Front Period," in Donald Herman, ed., *Democracy in Latin America: Colombia and Venezuela* (New York: Praeger, 1987).

⁷Gary Hoskin, "The Colombian Party System: Reaffirmation and Reorientation," in Bruce Bagley, Francisco Thoumi, and Juan Tokatlán, eds., *Beyond the National Front: State and Society in Contemporary Colombia* (Boulder: Westview Press, 1987).

⁸For analyses of the peace process, consult Marc Chernick and Rubén Sánchez David, "La Transformación del Proceso de Paz," in *El Mundo* (Medellín), August 6, 1987.

parties continue to monopolize the electoral arena (since 1945, the Liberal and Conservative parties have received over 95 percent of the congressional vote).⁶

Thus, the major source of conflict in the Colombian political system shifted from the pronounced sectarianism of the pre-National Front period to the persistent confrontation between supporters and opponents of the system. The extent of civil violence mounted dramatically during the Turbay government. Consequently, a state of seige, the *Estatuto de Seguridad*, was relied on for the maintenance of public order, which became an institutionalized mode of conflict regulation that utilized repression freely. However, the anticipated effect failed to materialize; instead, the extent of armed opposition mounted and public sympathy for the guerrilla movement reached new heights.

With the election of Belisario Betancur, a Conservative, to the presidency in 1982, expectations ran high that he would be able to bridge the gap between the political system and opposition groups.⁷ President Betancur wasted little time in initiating what came to be known as the peace process, which included an amnesty for guerrillas, a national dialogue with opposition groups, a package of political reforms and the negotiation of cease-fire agreements with several guerrilla groups. Because of the deep economic recession and Colombia's deteriorating international credit standing, Betancur's government concentrated not on social and economic change, but almost exclusively on political reforms that were designed to open the system to groups that had been denied effective access. The two principal survivors of this reform package, a bill to elect mayors and another to strengthen the financial bases of local governments, encountered considerable opposition in Congress.

As one observer noted, "The country woke up and that constituted in itself one of the principal achievements of the peace process."⁸ Nonetheless, this awakening proved insufficient to guarantee the success of the endeavor, which received an almost mortal blow with the brutal attack on the Palace of Justice on November 7, 1985. Thereafter, President Betancur limped through the remainder of his term, watching the military escalate its pursuit of the armed opposition. By the end of his presidency, only the cease-fire agreement with the *Fuerzas Armadas Revolucionarias de Colombia* (FARC) remained, and that was most tenuous. The peace process represented a bold endeavor to reorient Colombian politics, but it failed because of the intransigence of traditional political forces, an unwillingness on the part of the guerrillas to accept the government's offer and the economic constraints associated with the recession.

Colombia's turbulent politics rests on a society that has changed dramatically during the past 25 years. Over 70 percent of Colombia's 27 million people now live in urban areas (in comparison to 48 percent in 1960). Its rate of population growth has fallen precipitously. Per capita income reached \$1,243 in 1985, which represents an 85

percent increase in real terms over 25 years ago. The country experienced an economic growth rate of 5 percent between 1961 and 1982; it fell to 2.3 percent between 1983 and 1985, but reached 5 percent again by 1986. In comparison to other Latin American countries, Colombia has enjoyed considerable success in controlling inflation (around 20 percent during recent years). Moreover, the country's economic development has been accompanied by noteworthy improvements in the living conditions of its population, in areas like infant mortality, life expectancy and literacy rates.⁹

MOUNTING SOCIETAL VIOLENCE

President Barco inherited what he perceived to be a fatally flawed peace process. The program had permitted guerrilla movements to extend their territorial control without surrendering their arms or without channeling their political demands through the political system, as was anticipated with the creation of a new political party, the *Unión Patriótica* (UP), just before the 1986 national elections. Consequently, the Barco government has reoriented the process by placing less emphasis on dialogue, by centralizing the program in the President's office, by accepting as legitimate only the political activity that is expressed through institutional channels and by extending the presence of the state in affected areas, not only through military action, but through government programs designed to alleviate structural problems that are viewed as the principal cause of insurrection. In contrast to Betancur's peace process, which restrained the armed forces from exercising control over guerrilla territory, President Barco's approach has produced an increase in the number of confrontations between the military and the guerrillas.

Estimates vary considerably as to the number of armed militants in Colombia; Defense Ministry figures range between a 1984 estimate of 16,670 and a recent estimate of 6,700.¹⁰ In light of the increased number of

⁹Data from the *Interamerican Development Bank, Annual Report, 1986* (Washington, D.C., 1987). The population data reported are from the 1985 Colombian census.

¹⁰In testimony before the Colombian Congress, the current minister of defense, General Rafael Samudo Molina, estimated the guerrilla forces at 6,700. His predecessor during the Betancur government, General Fernando Landazábal, gave an estimate of 16,670. *El Tiempo*, August 12, 1987.

¹¹*El Tiempo*, August 18, 1987, and *El Espectador*, August 23, 1987.

¹²*El Tiempo*, August 15, 1987, and August 18, 1987. Jaime Pardo Leal, leader of the UP, was assassinated while returning to Bogotá from a family outing on October 11, 1987.

¹³Carlos Ossa Escobar, "Las FARC no quieren la paz," *Semana* (Bogotá), no. 276 (August 18, 1987–August 24, 1987).

¹⁴Ibid.

¹⁵See the statements by Conservative leader Rodrigo Llorente in *El Tiempo*, August 15, 1987.

¹⁶"Barco Sets Tough Targets," in *South*, April, 1987, p. 45.

¹⁷Data gathered by the Departamento Administrativo Nacional de Estadística (DANE), cited in *El Mundo*, August 6, 1987.

confrontations and of the expansion of guerrilla-held territory, it is highly unlikely that the size of the insurrectionary forces has declined in the last three years. Sections of the country that are controlled largely by guerrilla groups are experiencing what amounts to a civil war—the *llanos* near the eastern mountain range, Arauca, southern Huila, Caquetá, and the Urabá area of Antioquia. Militants of the *Ejército de Liberación Nacional* (ELN) have disrupted petroleum exploration in Arauca to the extent that two petroleum corporations have temporarily suspended their exploratory activities.¹¹

Attempts to restore public order have been complicated considerably by the growing number of paramilitary groups that operate with impunity in their "pacification" efforts. The principal target of these groups has been the UP, a leftist party that operates legally within the political system. More than 450 UP militants have been assassinated since UP's inception in 1986, including its leader and presidential candidate, Jaime Pardo Leal, two senators, two representatives, a mayor and several local politicians.¹² While the government maintains that it has made every effort to provide guarantees for the safety of UP members, considerable suspicion exists that military and police are involved in these paramilitary activities.¹³

Not unexpectedly, recent governments have concentrated their attention on political violence and the drug traffic, while neglecting the alarming growth of other forms of violence, foremost among them urban violence. Only 7.5 percent of the violent deaths registered in Colombia during 1985 resulted from subversive activity; in other words, more than 90 percent of all crimes were not politically motivated.¹⁴

Expenditures for military and police forces have increased considerably since the latter portion of Betancur's term, but that increase has not been accompanied by a noticeable improvement in public order.¹⁵ While the probability that guerrilla groups may overthrow the state is remote in the near term, what may well be a more likely outcome of these multiple forms of violence that tend to reinforce each other is a generalized anarchy in the country's social and political life.

Efforts to pacify the country have been thwarted by the virtual collapse of the judicial system. The integrity of the judiciary has been undermined by the attack on the Palace of Justice and by the drug organizations. President Barco observed that the drug traffickers ". . . operate as untouchables. They threaten judges, and if the judges won't give in they threaten their families. . . . they can do as they will."¹⁶ Recent government studies revealed that 99 percent of the crimes committed each year go unpunished, with 79.1 percent of the crimes unreported to the authorities.¹⁷

Turning first to the government's treatment of the guerrillas, it appears that policymakers have concluded that the guerrillas are not interested in returning to the system. Although the door supposedly remains open for

those who want to operate through institutional channels, the government clearly is not optimistic about this happening soon. Negotiation and dialogue obviously have given way to a more militant approach, as underscored recently by the minister of government, who noted that if the guerrillas do not demobilize themselves, then "the only thing the government can do is to destroy them militarily, even if that takes many years and involves many problems."¹⁸

The major programmatic thrust of the Barco government is oriented toward a frontal attack on the structural inequalities of the society, which are viewed as the underlying causes of the violence. The magnitude of the problem is stressed in a recent government study that reveals that 43.2 percent of the population—13,250,000 people—do not have the income necessary to meet basic human needs. More than half the nation's children, according to the study, are classified as poor.

This effort to improve living conditions for Colombia's poor involves two programs—the National Plan for Rehabilitation (PNR) and the Plan Against Absolute Poverty (PAA). The Betancur administration initiated the former program (PNR), but it has been expanded by the incumbent government. The PNR is meant to extend the state's presence in neglected areas, especially those held by guerrillas, through implementing programs aimed at improving living conditions. The PNR budget was approximately \$US22.5 million in 1986, and was increased to around \$320 million in the 1987 budget. Both the PNR and the PAA have been financed by restructuring the budget and by external financing. PAA programs are directed primarily at those falling into the category of critical poverty—about 25 percent of the population who suffer from nutritional deficiencies. Those characterized by absolute poverty—having more than one poverty indicator—are supposed to benefit from global economic policies designed to generate employment.¹⁹

Conservative party spokesmen have criticized the government for not reorienting the budget sufficiently in the direction of social programs. These spokesmen maintain that the Barco administration has overcommitted its resources by placating demands arising from civic strikes and campesino marches.²⁰ Others claim that the goals of the PNR and PAA are unrealistic, because of the lack of capital and the extent of the problem. The budget for

¹⁸César Gaviria, "Política y busetas," *Semana*, no. 282 (September 29–October 5, 1987).

¹⁹Ayala O. Ulpiano, "Aproximación al Plan de Lucha Contra la Pobreza y para la Generación de Empleo," in *Debates de Coyuntura Económica* (Bogotá: Fedesarrollo y Fescol, 1987).

²⁰Rodrigo Marín Bernal, "A dónde va la plata?" *Semana*, no. 275 (August 11, 1987–August 17, 1987).

²¹For President Barco's discussion of the government-opposition scheme, which reads like a political science textbook, see his address to the National Congress on July 20, 1987, in *El Cambio: Hacia una Colombia Nueva* (Bogotá: Banco de la República, 1987).

²²*El Tiempo*, August 7, 1987.

²³Ibid.

both programs is around 4 percent of the gross national product (GNP), which is less than that allotted for debt payment. Even though poverty will not disappear in Colombia as a consequence of these programs, one should not underestimate their potential significance in alleviating the problem and, more important, in enhancing the legitimacy of the political system.

POLITICAL REFORMS

Perhaps the most significant political change in Colombia since the crafting of the National Front 30 years ago consists of its burial by the Barco government.²¹ With the Conservative party going into a "reflexive" opposition, President Barco embarked upon a *gobierno de partido*, in which the Liberal party assumed sole responsibility for executing its program—a rather dramatic change from the coalition governments that prevailed since the beginning of the National Front. The return to full interparty competition was envisioned as an institutional means of reinvigorating the political system, particularly the rather lethargic and conservatively oriented traditional parties. Under the new government-opposition scheme, the two traditional parties will be forced to compete for votes, along with the *Unión Patriótica* and any new parties that emerge.

During the first year of the Barco government, this scheme certainly has not functioned as the model would suggest. Rather, it has contributed to what one journalist labeled the most agitated year of politics in recent times.²² The difficulties of institutionalizing the government-opposition scheme (certainly no surprise after such a long interlude of coalition government) revolve around the following factors:

(1) The Conservative party has not adjusted quickly to its opposition role; it has offered extensive criticism of the government, but has not concentrated on becoming an alternative government. Conservatives initially were fearful that the government would dismiss en masse conservative militants from bureaucratic posts, but that has failed to materialize. Thus, after a period of considerable apprehension, the Conservative party (renamed the Social Conservative party in July, 1987) has shown signs of increased party discipline and a heightened aggressiveness toward the Liberal government.

(2) The lack of discipline within the Liberal party has been a principal obstacle in successfully implementing the government-opposition scheme. As an *El Tiempo* editorial stated, "The sad part of these first few months of the Barco government is the difficult and chaotic situation within the government party."²³ Liberal party critics of the government have been more devastating than critics

(Continued on page 38)

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"In late 1986, victory by President [Alan] García's party . . . and Peru's vigorous economic recovery brought proposals for a constitutional amendment permitting the popular García to stand for reelection in 1990. One year later, rumors of a military coup haunt the Palace of Pizarro, where a beleaguered President struggles to complete his term."

Peru: García Loses His Charm

BY DAVID P. WERLICH

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FOR almost two years into his five-year term, President Alan García Pérez was the pied piper of Peruvian politics. In May, 1985, this charismatic leader won 53 percent of the vote in a nine-man contest to become, at age 36, the youngest chief executive in the Western Hemisphere. Then he quickly boosted his approval rating in the public opinion polls above the 70 percent mark, charming both entrepreneurs and workers with an initially successful and almost painless economic recovery program.

During 1987, however, García's music soured along with the economy. The business community became disenchanted; Peru's unions staged the first general strike of García's administration; and dissonance arose from within the President's own party, the center-left American Popular Revolutionary Alliance (APRA). In his Independence Day speech on July 28, García struck a real clunker, announcing a surprise takeover of the nation's financial system. Peru's middle class joined the wealthy elite in a chorus of protest. The piper's old magic was gone.

From the administration of President Fernando Belaúnde Terry (1980-1985), García inherited the gravest economic crisis of the century in Peru.¹ In the previous five years, the per capita gross national product (GNP) for Peru's 21 million citizens had fallen 15 percent, while real wages plunged 40 percent. Almost two-thirds of the labor force was inadequately employed, and 60 percent of the country's industrial capacity was idle. At the time of García's inauguration, inflation was racing at an annual rate of 250 percent. The \$14-billion external debt had been in default for a year, and to service it would have required all of Peru's export earnings. A five-year guerrilla insurgency that was taking 200 lives per month further damaged the economy.

At the root of the crisis lay mismanagement and a spate of bad luck inherited from the military dictatorship of 1968-1980, which bequeathed President Belaúnde a

heavy \$9-billion debt. Then, the recession of the early 1980's in the developed world produced a 38 percent drop in prices for Peru's principal exports—petroleum, copper and other nonferrous metals, fishmeal and iron ore—and a severe trade deficit.

In 1982, for the second time in five years, Peru called in the International Monetary Fund (IMF), and instituted an austerity program.² The fund's conventional "stabilization" package included deep budget cuts, continuous currency devaluations and a sharp reduction in real wages. These measures curbed domestic demand, and conserved foreign exchange for service on the external debt. The IMF's backing enabled President Belaúnde to refinance Peru's international obligations, ultimately adding \$4 billion to the total. But the investment-starved economy nearly collapsed, and purchasing power fell to the levels of the mid-1960's. Although poor citizens suffered painfully, the politically powerful middle class also experienced a rapid erosion in its standard of living. With mounting social tensions threatening Peru's fledgling democracy, President Belaúnde abandoned much of the IMF formula during the final year of his term. The agency's harsh medicine had almost killed the patient.

President García's economic program rejected orthodoxy austerity. Instead, his government chose to reactivate the economy through increased consumer spending. If successful, this "heterodox" strategy would benefit most Peruvians, would encourage social harmony, and would strengthen the administration politically. García froze prices to slow inflation. Pay increases, skewed to favor poorer workers, boosted real wages. Tax cuts further enhanced purchasing power and, along with greatly reduced interest rates and a ban on competing imports, benefited business.

García's plan assumed that increased demand could be met initially by Peru's underutilized industrial capacity. As the economy revived and Peru's entrepreneurs gained confidence, domestic investment would then increase sharply, fueling the economic engine. In the meantime, the government hoped to cover its shortfall in revenues by increasing efficiency, by making selective cuts in the budget and, especially, by restricting overseas payments.

The domestic portion of García's program had con-

¹For background, see David P. Werlich, "Debt, Democracy and Terrorism in Peru," *Current History*, vol. 86, no. 516 (January, 1987).

²Thomas Scheetz, *Peru and the International Monetary Fund* (Pittsburgh: University of Pittsburgh Press, 1986), provides a scathing critique.

siderable logic. But the republic's internal economy was linked inextricably to the international marketplace, and this was the most vulnerable portion of the plan. Unless it reverts to primitive autarky, Peru must trade to survive. The nation imports 60 percent of its basic foodstuffs and a large portion of its industrial inputs. In normal times, exports pay for imports. During periods of trade imbalance, deficits can be managed by borrowing. However, a long-term shortage in trade accounts usually requires currency devaluation to make exports more attractive and imports less so. The Belaúnde administration had pursued this policy, but constant devaluations contributed to the drop in domestic purchasing power.

After a modest devaluation of 12 percent against the dollar, García froze the domestic exchange rate for the inti, Peru's new monetary unit. To maintain their competitiveness, Peruvian exporters could exchange their dollars at a rate 25 percent higher. The government hoped that increased productivity, restrictions on "non-essential" imports, and an upturn in export prices would soon balance the trade account. Meanwhile, necessary imports could be financed by Peru's substantial reserve of \$1.3 billion in foreign currency, a nest egg resulting from Belaúnde's reduced payments on the external debt. But if the trade deficit continued, Peru's foreign reserves would be exhausted, and García would face an economic disaster, because his nation would be considered a very poor credit risk.

THE 10 PERCENT SOLUTION

At the time of his inauguration, García acknowledged the validity of Peru's foreign debt. But he announced that during the current crisis his administration would restrict service on these obligations to a token 10 percent of export earnings. The President also vowed to ignore the IMF (which he lambasted heartily) and seek debt relief directly from Peru's overseas creditors—about 300 banks, governments and international agencies. In August, 1986, after a year of wrangling, Peru defaulted on its \$800-million debt to the IMF. The fund declared Peru ineligible for further loans from that agency, an action that usually brands a debtor nation as a pariah in the international financial community.

García's "10 percent solution" and his break with the IMF were not so bold as they seemed on the surface. His cap on debt servicing approximated Belaúnde's remittances during the previous year. In earlier times, debtor

³Richard E. Feinberg, "Latin American Debt: Renegotiating the Adjustment Burden," *Columbia Journal of World Business*, vol. 21, no. 3 (January, 1986), is a good survey.

⁴Comisión Económica para América Latina y el Caribe (CEPAL), "Balance preliminar de la economía latinoamericana, 1986," *Notas sobre la economía y el desarrollo*, no. 438/439 (December, 1986), pp. 2, 4.

⁵*Andean Report*, vol. 14, no. 1 (January, 1987), pp. 1-5.

⁶A detailed discussion is offered by John Crabtree, "The Consolidation of Alan García's Government in Peru," *Third World Quarterly*, vol. 9, no. 3 (July, 1987), pp. 804-824.

nations valued good relations with the IMF primarily because the fund's "seal of approval" enabled them to obtain additional loans from commercial lenders. By 1985, however, the third world debt crisis had thoroughly frightened international bankers. They sought to reduce their exposure in less developed countries, and closed their windows to new borrowing, even by governments that had faithfully serviced their debts.³ Given Peru's already unmanageable debt burden (one-third of which consisted of accumulated interest), and its default during the previous year, García had little chance of obtaining more money overseas.

García's economic program worked well at first. There were shortages and a black market, the normal consequences of price controls. Peru ended 1985 with another decline in per capita productivity. But inflation had been turned around, finishing at 158 percent for the year. In 1986, the government moved away from a strict freeze to a system of "administered" prices, allowing for some market adjustments. Wages were kept ahead of prices, however, and the predicted boom in consumer spending reactivated the economy. Inflation was cut to 63 percent; real wages increased by at least 7 percent, and the GNP jumped 8.5 percent, the best performance in Latin America.⁴

García wanted agriculture—largely stagnant for the past three decades—to lead Peru's economic recovery. He provided cheap credit and guaranteed prices for farmers. The farmers complained that prices were still too low and that subsidized food imports undercut their markets. But 1986 brought an increase of 3.6 percent in agricultural productivity—twice the recent rate of growth. Farm income jumped 25 percent, and real wages for agricultural day laborers doubled.⁵ The 1987 budget earmarked a substantial 30 percent of expenditures for agriculture. Containing a policy initiated by Belaúnde, an April, 1987, law encouraged the parcelling of the 600, largely inefficient agricultural cooperatives established under the 1969 agrarian reform.

With dismal world prices for metals and petroleum, Peru's mining sector remains flat. Most of the economy's gains have been in fishing, manufacturing and, especially, construction. The latter activity benefited from work on a \$500-million elevated train system for the Lima metropolitan area.

The upturn in the economy and a work-relief program that employed thousands of persons bolstered García's popularity, as did his very active schedule of personal appearances. The President traveled throughout the country, notably to a series of mass meetings with peasant leaders. He also made several highly publicized visits abroad, and delighted his supporters in Lima with frequent "balconades"—unscheduled, extemporaneous speeches from a window of the presidential palace.

García transferred some of his public support to his APRA party.⁶ In the November, 1986, municipal elections, APRA won the mayoralty contests in 20 of Peru's

24 department capitals. For the first time in its 55-year history, the party carried Lima, where APRA candidate Jorge del Castillo ousted Mayor Alfonso Barrantes Lingán, a Marxist.

The President's popularity also helped him secure some important administrative reforms. A campaign against police corruption purged more than 2,000 men, including many senior officers. In February, 1986, the three national police forces were placed under one director. Far more ticklish was the April 1, 1987, law that combined the separate ministries for the army, navy and air force into a single Ministry of Defense. García touted the reform primarily as a measure to improve the fighting efficiency of the military. But Peru's officers—correctly—saw it as a device to reduce the influence and independence of the three services. The navy and air force, whose expensive equipment gives them a disproportionate share of the military budget, were especially hostile to the change.

The army and navy voiced their opposition through retired officers, but the air force's commander, General Luis Abram Cavallerino, openly lobbied against unification. When García signed the law, Abram sealed off the Las Palmas air base near Lima and sent jets to buzz the presidential palace. Guarded by a cordon of tanks, the President then retired General Abram and ended the mutiny. García probably envisioned a future with reduced military budgets and civilian defense ministers. But for the moment, the resentment of the armed forces recommends caution. The 1987 budget had increased military spending by one percent, and the President named army General Jorge Flores to the defense post.

Responding to traditional provincial desires for political decentralization, a law of March 19, 1987, grouped Peru's 24 departments—with their governing prefects appointed from Lima—into 12 regions that are promised a degree of autonomy in policy-making and administration. Each region will have an assembly made up of provincial mayors, additional members chosen by direct election and representatives from various institutions. The García administration has also expressed its desire to move the national government from congested Lima (where one-third of Peru's population now lives) to the Mantaro Valley, in the central highlands.

THE SHINING PATH

García has had mixed results in his campaign against the elusive Sendero Luminoso (Shining Path or SL) guerrillas, a bloody insurgency that has cost about 10,000 lives since it began in May, 1980.⁷ Led by former philosophy professor Abimael Guzmán, SL calls for a long "people's war" to establish a primitive agrarian Communist society, without cities or currency. This utopian vision, blending Maoism and the ideas of Peru's

⁷The best survey is David Scott Palmer, "Rebellion in Rural Peru: The Origins and Evolution of Sendero Luminoso," *Comparative Politics*, vol. 18, no. 2 (January, 1986), pp. 127-146.

revolutionary leader, José Carlos Mariátegui, appeals to very few Peruvians. The movement has perhaps 1,000-3,000 fighters. But SL compensates for its modest numbers with an almost religious fanaticism.

SL first gained control over large areas of Ayacucho Department, in the heavily Indian southern highlands, where guerrillas bullied or executed anyone who opposed them. Through fear or admiration, peasants provided the movement with material aid and recruits, primarily teenagers. The war soon spread into neighboring provinces and urban areas, where SL found adherents in the universities and squalid shantytowns that surround most cities. Unleashing a wave of terror, SL assassinated government officials and the leaders of political parties, labor unions and peasant organizations. Guerrillas bombed both public and private property. In August, 1982, SL dynamited electric pylons around Lima, producing the first of nearly a score of blackouts in the capital.

President Belaúnde sent thousands of police, soldiers and marines into the Ayacucho region. Peasants previously terrorized by SL were then brutalized by the security forces, whom the regime was unwilling or unable to control. Troops massacred entire villages, and hundreds of persons that were detained for questioning "disappeared." Outgunned in the militarized zone, SL intensified its campaign in other parts of the country, striking in 22 of Peru's 24 departments.

As a presidential candidate, García criticized Belaúnde's one-dimensional, military approach to the insurgency, and denounced the administration's disregard for human rights. The APRA leader promised to "humanize" the military struggle, and to pursue economic and political strategies to end the war. Soon after taking office, the new President fired three top generals for resisting his order to punish soldiers who had massacred peasants. The regime formulated economic policies to provide jobs for Peru's frustrated youth and to alleviate rural poverty. Special development programs were targeted for the newly designated "Andean Trapezoid"—the southern highland departments of Ayacucho, Apurímac, Huancavelica, Cuzco and Puno—where SL had been very active among the nation's poorest peasants. García appointed a peace commission to seek a "dialogue" with the guerrillas, and he considered an amnesty for rebels who would lay down their arms. But SL only heightened its attacks, especially against members of the President's party: more than 250 APRA leaders were killed in the two years following García's inauguration. In early 1986, a flurry of bombings and murders by SL and the smaller, Lima-based Tupac Amaru Revolutionary Movement brought the imposition of a 1 A.M.-5 A.M. curfew in the capital.

HUMAN RIGHTS ABUSES

The García administration has apparently brought a decline in the number of human rights violations by government forces, and especially in the number of disap-

pearances of detainees. But the President has shown a decreasing inclination to interfere with the military's handling of the insurgency, and flagrant human rights abuses continue. In a February, 1987, report, Amnesty International strongly condemned the government's response to a coordinated uprising the previous June by suspected guerrillas detained in three Lima prisons. Guards and Peruvian marines used the opportunity to exterminate an estimated 325 prisoners. García promised to punish those responsible for the murders, but the matter was soon dropped. After more than seven years of carnage—during which SL boasts it has carried out more than 30,000 attacks—many Peruvians have been desensitized to violence. Respect for civil liberties and human rights remains an abstract ideal; but at the emotional level, citizens increasingly feel that terrorists deserve no quarter.

In March, 1987, Congress mandated a minimum imprisonment of 18 years for persons convicted of terrorism. Yet few suspected guerrillas have been brought to trial because judicial authorities fear terrorist reprisals. To process the huge backlog of these cases, the government has authorized special tribunals, with secure courtrooms inside prison walls. Judges and prosecutors have been promised heavy police protection and double salaries. But there has been no rush of volunteers for the new program. Breaking a time-honored tradition, García sent 4,000 police into three Lima-area universities on February 13, 1987. The raid netted "subversive literature," a few guns, some explosives, and 800 suspects, most of whom were soon released. A week of protest demonstrations followed.

Although the insurgency in Peru is likely to continue for several more years, momentum in the struggle may be shifting to the government.⁸ There has been better coordination among Peru's various intelligence services, and an elite, 300-man unit has been organized to combat terrorism in the cities. In late July, 1987, García lifted the curfew in Lima, and restored civilian government in the Ayacucho region. Meanwhile, SL has shown some signs of weakness. After steady increases between 1980 and 1985, the rate of guerrilla attacks may have stabilized or even declined in 1986 and 1987. Perhaps SL's compartmentalized structure (the "cells" that protect it from crippling losses) has reached its organizational limits for offensive action.

Most telling has been a major shift in SL's strategy. In recent decades, successful revolutionary movements generally forged broad coalitions to topple governments. But from the beginning, SL isolated itself from all other groups, in Peru and elsewhere. Unwilling to com-

⁸The discussion that follows uses recent events to elaborate on the analysis in Gordon H. McCormick, "The Shining Path and Peruvian Terrorism," *Rand Corporation Paper*, P-7297 (Santa Monica: Rand Corporation, 1987).

⁹Entitled "To Develop the People's War Serving World Revolution," this 110-page, red-inked document is discussed in the *Andean Report*, vol. 14, no. 3 (March, 1987), pp. 38-42.

promise its rigid ideology, SL used the most insulting terms to denounce its Marxist competitors (Guzmán once dismissed Ernesto "Che" Guevara, Cuba's revolutionary martyr, as a "choir girl"). SL murdered many members of Peru's other leftist parties, and bombed the Lima offices maintained by the Soviet Union, China, Cuba and North Korea.

In an August, 1986, manifesto, however, SL's central committee instructed members to restrain their "sectarianism and dogmatism," and seek support from outsiders.⁹ SL has also established a link with Spain's small, ultra-radical Communist party. This new approach may indicate growing frustration over the revolution's progress and, perhaps, a rift within the movement's leadership. A broader base could improve SL's effectiveness (but would also provide avenues for penetration by the government's intelligence services). It seems unlikely, however, that this almost universally detested movement will find many new allies.

THE DRUG CONNECTION

From the early days of the insurgency, Peruvian and United States officials suspected that Peru's drug lords, benefiting from SL's diversion of police resources away from themselves, provided money and weapons to the guerrillas. But Lima and Washington could not demonstrate a connection between SL and the cocaine industry; the disclosure of such a relationship would tar both groups. SL's August, 1986, document contained the party's first significant statement concerning the matter. It asserted that cocaine addiction was a problem confined to the capitalist world, and praised the chewing of coca leaves (the source of cocaine) as an ancient and beneficial practice among the Andean peoples. This stance permits an alliance with the international drug network, while indicating SL's desire to build support among coca farmers, who deeply resent the government's program to eradicate the crop.

Peru's coca fields, located primarily in the remote, jungle-covered Huallaga Valley east of the Andes, provide the raw material for about half the cocaine that, through Colombian intermediaries, enters the United States. For several years, Washington has funded—poorly—Lima's antidrug efforts. These efforts include the uprooting of coca plants, a crop-substitution program for peasants, and the Mobile Rural Patrol Units (UMOPAR), which battle the armies of the drug lords. In a series of raids, designated "Operation Condor," air force fighter-bombers and helicopter-borne UMOPAR commandos attacked the traffickers' clandestine airstrips and processing facilities. Although dramatic, these

(Continued on page 36)

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"Assuming the successful installation of a new administration occurs as scheduled, Ecuador will enter its third successive elected government in August, 1988. The preceding nine years have been consistently turbulent. . . . There is little reason to believe that the fragile democratic system in Ecuador has been strengthened, nor that the historic pattern of instability been fundamentally reversed or modified."

Instability in Ecuador

BY JOHN D. MARTZ

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WITH the installation of a new congressional session and the delivery of a presidential message by León Febres Cordero, Ecuador entered the final year of President Cordero's constitutional term on the night of August 10, 1987. Surrounded by heavily-armed security guards, the President defiantly claimed to have fulfilled his major 1984 campaign promises and characteristically denounced his critics as mendacious and traitorous. Congressional leaders, in turn, threatened to interpellate key ministers and advisers. Former President Osvaldo Hurtado was demanding that his successor be removed for violating constitutional rights, while would-be candidates for the 1988 elections were maneuvering for position.

By early October, the political climate had become even more confrontational. The Supreme Court had ordered the arrest of two former high-level government officials. The recently resigned minister of energy was censured by Congress, and the industry minister, Luis Robles Plaza, had dropped out of sight as corruption charges circulated. A proposed legislative interrogation of this close confidant of the President's provoked a threatened mutiny by police loyal to their chief. Then the Socialist deputy scheduled to lead the questioning was attacked by thugs with baseball bats; he suffered a skull fracture and a broken arm. The Ecuadoran government, meanwhile, closed down a Quito radio station for broadcasting "subversive" reports about a nationwide strike by labor that had occurred months earlier.

For Ecuador, the struggle to retain and to nurture a meaningful democratic system was once again sorely imperilled. As the nation stumbled toward the double round of presidential elections scheduled for January and May, 1988, it was trying to steady itself from an uncommon succession of economic and political disruptions. Several of these disruptions were beyond the control of Ecuador itself. On the economic front, the drastic reduc-

tion in petroleum prices on the international market had forced the government reluctantly to suspend payment on its foreign debt early in 1987. Shortly thereafter, a disastrous earthquake in the Amazon region damaged the pipeline and interrupted the flow of oil for nearly six months.

Politically, the bitterness of partisan conflict between the conservative Febres and the liberal forces had grown well beyond the boundaries of normal competitive exchange. Added to this bitterness was the unresolved dispute over civil-military relations, which had included such bizarre events as the 11-hour kidnapping of the President on January 16, 1987. As one of South America's most historically unstable countries, Ecuador continued its search for the elusive chimera of constitutionality and for the legitimacy of civilian authority.¹

THE CIVIL-MILITARY CONFLICT

When Jaime Roldós Aguilera was inaugurated as President on August 10, 1979, Ecuador had closed the book on seven years of military rule. The young reformist was both warm in his praise of democracy and candid about its historic weaknesses in Ecuador. When Vice President Osvaldo Hurtado succeeded to the presidency upon the death of President Roldós in a plane crash on May 24, 1981, the constancy of the armed forces had been severely tested. However, constitutional legitimacy was maintained, and power duly passed to Febres following his election in 1984. Military subordination to civilian authority was not automatic, however, and the new chief executive had few qualms about employing the armed forces as an active arm of government.

At the outset, President Febres cavalierly violated military regulations by reinstalling to active duty an officer recently retired by President Hurtado. The pro-Febres officer, General Luis Piñeros, was promptly named minister of defense. Procedures and seniority were also short-circuited so that the President could name his own candidate as Army Chief of Staff—General Manuel María Albuja. In the months that followed, Febres freely intervened in internal military affairs when he judged it politically feasible.² As the President engaged in ceaseless combat with Congress and

¹For an outstanding overview see David W. Schodt, *Ecuador: An Andean Enigma* (Boulder: Westview Press, 1987).

²See John D. Martz, "The Military in Ecuador: The Policy and Politics of Authoritarian Rule" (Paper delivered at the Rocky Mountain Conference on Latin American Studies, April, 1987), p. 29.

with the opposition, vocal support from the armed forces proved useful. Eventually, his meddling in areas customarily reserved to the military hierarchy produced resentments, which first came to public attention on March 7, 1986.³

Central to the controversy was General Frank Vargas Pazzos, a brilliant if volatile officer who commanded the Air Force. On March 7, Vargas met with Piñeiros to demand the firing of Albuja on the grounds of corruption and of mishandling of funds. Following a stormy confrontation, Vargas was dismissed by President Febres for insubordination. Flying to the coastal air base at Manta where some 200 officers and airmen supported him, Vargas reiterated his charges and defied central authority. On March 11, Vargas returned to Quito on the understanding that President Febres would dismiss both Piñeiros and Albuja. When the President reneged, Vargas and his loyal subordinates took control of the Mariscal Sucre air base in Quito, which led to armed conflict. There were at least four deaths and a dozen injuries in the fighting before Vargas surrendered on March 14.

Before the end of the month, both Piñeiros and Albuja had been replaced; two senior Air Force officers loyal to Vargas had been arrested for armed subversion; and Vargas himself was under house arrest awaiting trial. Inevitably, the controversy spilled over into the arena of domestic politics. For anti-Febres forces, giddy from their sweeping victory in the plebiscite and elections of June, 1986, Vargas was a populist symbol of opposition to a strongly personalistic President. Having regained control of the unicameral legislature, they voted amnesty to General Vargas in September. President Febres, undaunted by recent setbacks, refused to honor the resolution. Legalistic and political maneuvering over the disposition of Vargas was lengthy and was overtaken by the extraordinary events of January, 1987.

Arriving at the Taura air base near Guayaquil for a ceremonial visit on January 16, the President and his entourage, which included Defense Minister Salazar Navas, were jostled and taken prisoner by paratroopers loyal to Vargas. A presidential guard died in the scuffle and another 10 were wounded during the brief exchange of gunfire. Eleven hours later, President Febres was released after he granted amnesty to General Vargas and signed a written agreement that guaranteed that he would not make reprisals against his captors. During the intervening hours, Vice President Blasco Peñaherrera had met with the military high command in Quito, while congressional leaders called for recognizing the rule of law. At the same time, Febres's political opponents

³A detailed account is Gonzalo Ortíz Crespo, *La Hora del General* (Quito: Editorial El Conejo, 1986).

⁴Events are narrated in Gonzalo Ortíz Crespo, *Operación Taura* (Quito: Editorial El Conejo, 1987).

⁵*El Comercio* (Quito), January 23, 1987, p. 1.

⁶Extended analysis can be found in John D. Martz, *Politics and Petroleum in Ecuador* (New Brunswick, N.J.: Transaction Books, 1987).

charged him with continuing defiance of ordinary juridical procedures and spoke of a possible impeachment effort in the legislature.⁴

During the next week, a group of 80 rebel air force commandos was transferred to the Sucre base in Quito, while Vargas, fearful for his safety, went into hiding. Congress began a debate about proposals to remove President Febres; on January 22, by a vote of 38-29, it adopted a nonbinding resolution that urged Febres's resignation for abusing presidential authority. A written response by Febres, refusing the demand, termed the congressional action "irrelevant, antidemocratic and lacking in moral or legal force."⁵ At the same time, a conference between military spokesmen and the leader of Congress produced a warning that the armed forces would shut down the legislature if it undertook formal impeachment proceedings.

The general controversy continued the following day when the group of paratroopers at the Sucre base was formally arrested, contradicting the presidential promise of immunity. The President's attorney general blithely remarked that Febres's amnesty promise was not valid and the law had to be upheld. More important, military officials felt that the breach of discipline and hierarchy needed to be punished. Military authorities initiated legal proceedings before the close of January, with the paratroopers subject to military rather than civilian proceedings. On March 5, the formal court-martial of the troops participating in the affair began.

However, the emerging presidential ambitions of General Vargas kept stirring controversy, especially after his release on April 1. The matter returned to center stage on July 21 when the military court announced its verdict. Of the 94 paratroopers on trial, 58 were found guilty. A maximum sentence of 16 years' imprisonment was levied on 17 paratroopers; 23 received sentences of 8 years; one paratrooper received a sentence of 2 years; and 17 paratroopers were given 6 months. Vargas proclaimed his solidarity with the paratroopers and attacked President Febres for breaking his word. Congressional critics were also vocal, although unwilling to venture beyond stormy rhetoric. The armed forces, preoccupied with the restoration of discipline and of internal order, believed that the sentencing was necessary. President Febres's impetuosity had not only undermined his position with the military, but had further stimulated the inherent disinclination of the military to adhere to the democratic system.

PETROLEUM AND THE DEBT

Since the advent of the oil boom in the early 1970's, the Ecuadorean economy has been strongly dependent on the international market.⁶ By 1987, petroleum was providing two-thirds of Ecuador's export earnings, 60 percent of total government revenue and 16 percent of gross domestic product (GDP). The sharp decline of prices in 1986 cost the nation an estimated \$700 million in rev-

ence. The decline forced the government to announce in February, 1987, that interest payments to its 400 creditor banks would be suspended indefinitely, while other creditors would receive only 30 percent of export income. "Cash-flow problems" were held responsible, and it was expected that payments would be resumed by April, 1987.

Natural disaster intervened, however, with the earthquake and its aftershock on March 5, which produced disruptive floods and landslides. Over 300 people died, with 5,000 others missing, and over 25 miles of petroleum pipeline were destroyed. Pumping stations and related facilities were also damaged, and shipments from the Amazon region to the Pacific port of Balao were disrupted. Oil production, which had averaged 218,578 barrels per day in January and February, was totally halted.

President Febres announced that all payments on Ecuador's \$8.3-billion foreign debt would be canceled for 1987, and perhaps beyond. This would cost creditor banks \$550 million for the year. A host of austerity measures were imposed, in addition to those that had already been put in place. Gasoline prices were raised 80 percent on March 13, accompanied by a 14 percent increase in bus and taxi fares, a price freeze on basic foodstuffs and a 5 percent reduction in government spending. In the face of sharp criticism, official spokesmen contended that the estimated \$1 billion in losses from the catastrophe—nearly 10 percent of Ecuador's GDP—left the government with no other options.

Stopgap measures for the Ecuadorean petroleum industry began with Venezuela's contribution of 12.5 million barrels during the next four months. Five million barrels were for domestic consumption, and 7.5 million barrels were for Ecuador's customers. Nigeria also loaned Ecuador 1.5 million barrels, and a 36-kilometer pipeline was extended from Ecuador to connect with a Colombian pipeline, at a cost of \$10 million. On May 9, a daily flow of some 35,000 barrels began, all of which was intended for internal needs. Two months later, Kuwait began delivering oil to Ecuador, having previously promised a loan of 2 million barrels. Repairs, meanwhile, went forward on the trans-Andean pipeline at an estimated total cost of \$120 million. Operations resumed on August 13, although subsidiary repairs were incomplete. By September, an average of 220,000-230,000 barrels per day (bpd) were being pumped through the pipeline. With output rising toward the preearthquake level, it stood at some 320,000 bpd by the close of 1987.

For the year, overall production losses were staggering, as was the impact of the oil loss on the economy. Oil revenues for 1987 barely passed \$500 million; in 1986, oil revenues were \$900 million. The forced suspension of petroleum exports in March had produced a trade deficit of \$27.5 million. Total exports, which had totaled \$214.9

million in January, reached only \$117.8 million two months later. The austerity measures introduced by the government devalued the free-floating sucre some 20 percent against the dollar, while the cost of living rose precipitously. Inflation threatened to run out of control, while the threat of a foreign exchange crisis by midsummer led to a partial reinstatement of import controls. The shortage of foreign exchange kept private sector firms from obtaining import licenses. Only in September and October was there some mild improvement. Even then, the slowness in financing imports put a damper on economic revival, including repairs needed for earthquake reconstruction.

While these intimidating problems plagued the nation, they also added to the stubbornly intransigent debt issue. The early success of the Febres administration in seeking new and more favorable terms for debt servicing provided little more than a temporary cure in treating the infirmity. The President had come into office as an ardent champion of private enterprise. His government's development plan had been forthright in its commitment

to stabilize the economy and restore its capacity for growth through control of inflation, simultaneously strengthening output growth, income, employment, savings, exports, domestic and foreign investment, while also regulating imports and rationalizing the distribution of vital products.⁷

Coming to power when Ecuador's capital account deficit had reached record highs, President Febres's economic team had promptly decided to reschedule the external debt for the entire term, thereby encouraging a greater flow of foreign capital as well.

This action led to extended negotiations, with the official rescheduling agreement signed in New York on December 20, 1985. Almost all the debt service was due to fall between 1985 and 1989—nearly 90 percent of the total—but was postponed for twelve years, with a three-year grace period added. These provisions reduced Ecuador's annual debt service from 52 percent to 28 percent, thereby substantially lightening the debt burden during the life of the Febres administration. It was the general economic deterioration of 1986 that created the desire for a further renegotiation. The budget itself, originally based on petroleum prices of \$24 per barrel, had been readjusted down to the \$19 level, but the fall of oil prices below \$15 per barrel was devastating.

The price of crude averaged barely \$12 per barrel, thereby cutting GDP from 3.8 percent in 1985 to 1.1 percent for 1986. In December, 1986, Finance Minister Domingo Córdovez announced that Ecuador would seek new terms for its debt repayment. The following month, when Ecuador defaulted on a scheduled payment of \$120 million, there were official reassurances that the action was temporary. With a total of \$1.3 billion due for interest and principal in 1987, the solution was viewed as part of an unavoidable rescheduling pact with creditors. Talks with a committee of banks representing creditors

⁷República del Ecuador, *Lineamientos: Desarrollo 1984-1988* (Quito: Imprenta Nacional), n.p.

had already begun informally, and Ecuador reiterated its desire to honor existing commitments. All this, of course, was followed by the tragic devastation of the earthquake, which washed away any planning in the process. Among the immediate victims of the disaster was the anticipated debt renegotiation. Not until the fall of 1987 was a new round of talks initiated. By that time, the estimated financial gap of \$300 million-\$400 million in March had expanded to approximately \$1 billion, and the economy remained dependent on oil.

Ecuador's heavy reliance upon petroleum income led it to exceed consistently OPEC (Organization of Petroleum Exporting Countries) quotas. Although the limit had been set by OPEC at 183,000 bpd, national production was far higher. Oil reserves were being depleted rapidly and, after a decade without exploration, the Febres government had moved to renew the search for further deposits. Operating within a legal framework for multinational operations that had been set in place late in the Hurtado administration, the government, in 1985, negotiated terms for new exploration with Occidental, Belco, British Petroleum, and Esso/Hispanoil. By June, 1987, the state oil corporation CEPE (Corporación Estatal Petrolera Ecuatoriana) had moved to the fifth round of international oil tenders. Contracts were also signed with several corporations for selected Amazon blocks. Assuming that terms will also be reached in the new offers, the Febres administration will have met its declared objective of contracting out four million hectares of land for exploration.⁸

For 1987, the government declared that the nation had proven recoverable reserves of some 1.3 billion barrels of oil, as compared with 904 million barrels in January, 1982. Critics questioned the validity of the data, claiming that oil reserves were far lower and were being depleted by existing production levels. What was clear was the successful reinvigoration of oil exploration through CEPE initiatives. It was less certain whether these new discoveries would effectively replace the oil reserves being depleted. Ecuador's future as an oil producer in the 1990's is, therefore, unresolved. Whatever the outcome, at this juncture petroleum provides the major support to the nation's economy. Despite a modest 2.1 percent increase in the nonpetroleum sector, all estimates pointed to a decline in GDP of over 4 percent for the year 1987, accompanied by a new trade deficit of at least \$400 million. By the close of 1987, the foreign debt had

⁸A useful summary is *Weekly Analysis*, vol. 17, no. 23 (June, 1987), pp. 244-251.

⁹Major national events and the general political climate are etched sharply in Catherine M. Conaghan, "Party Politics and Democratization in Ecuador," in James M. Malloy and Mitchell A. Seligson, eds., *Authoritarians and Democrats: Regime Transition in Latin America* (Pittsburgh: University of Pittsburgh Press, 1987), pp. 145-164.

¹⁰These are itemized by John D. Martz in "Ecuador: The Right Takes Command," *Current History*, vol. 84, no. 499 (February, 1985).

¹¹See *Vistazo* (Guayaquil), May 8, 1987, and May 22, 1987.

reached some \$8.660 billion (including \$5.389 billion to private banks and \$1.148 billion to foreign governments).

POLITICS AND ELECTIONS

The dangers facing the Ecuadorean democracy were heightened by the accumulation of additional challenges to the authority of the government.⁹ The political successes of President León Febres Cordero early in his term aggravated the deep cleavage between his conservatism and the moderate centrism of his opposition. By 1986, the President moved to solidify his apparent domination of public policy. Proposing constitutional reforms, which included a restriction on the writ of habeas corpus and a restructuring of both Congress and the courts, Febres also asked for a plebiscite to coincide with the June congressional elections. The plebiscite called for allowing independents to run for office, which Febres believed would strengthen his congressional followers. Febres deliberately converted the elections into a test of his personal popularity, which proved a major miscalculation.

In the election, Febres and his Partido Social Cristiano (PSC) suffered major losses, while the plebiscitary proposal was defeated by more than 2 to 1. With congressional control passing to the opposition, the President stiffened his already determined efforts to regain control of public affairs. These efforts were seriously weakened by economic problems and especially by the continuing Vargas controversy. In Congress, the opposition reorganized the Supreme Electoral Tribunal, sought to repeal executive economic policies and threatened to force the resignation of key Cabinet ministers. President Febres responded with his customarily aggressive tactics, which further battered the fledgling democratic tradition.¹⁰ His major target was the Democracia Popular (DP) party of former President Hurtado, Febres's most outspoken domestic critic. In another controversy, major West German foundations were charged with interference in Ecuadorean affairs because they funded local social science entities.¹¹ The furor nearly produced a break in relations with West Germany, yet the aftermath was an ever deeper and more embittered partisanship within Ecuador. Another major controversy erupted over alleged wrongdoings in the government's handling of generic drug sales (the Ecuahospital case). Charges included bribery, inflated contracts, payoffs, and a misuse of funds from the United States Agency for International Development (USAID). Among the ultimate casualties were the minister of health and other ranking ministry officials.

An equally acrimonious debate was triggered by Febres (Continued on page 37)

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"In the end, it was politics . . . that undid the Plano Cruzado. The economic growth and development for which Brazil was known during the 1960's and 1970's will remain a thing of the past if this democracy is unable to . . . define its future priorities and possibilities in light of today's economic realities."

The Darker Side of Brazil's Democracy

BY EUL-SOO PANG

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In mid-January, 1987, Brazil entered its thirty-fourth month of a shaky, turbulent democracy; the military had retreated to the barracks in March, 1985. The projected "new constitution" for this democracy was nowhere near completion by November 15. After considering more than 10,000 proposals for the new magna carta, the Constituent Assembly has yet to come up with a draft that satisfies anyone. The September version, hastily put together to meet the end of the year deadline, was roundly criticized by both the left and the right, and even more fervently by the military. The principal rapporteur of the September draft constitution resigned in the wake of a crescendo of criticism from every side.

Meanwhile, as President José Sarney completes his third year in office, it has yet to be resolved whether his mandate will be for four, five or six years. The dominant party, the PMDB (Brazilian Democratic Movement party)—also known as the "partidão," or "big party"—failed to come to grips with this issue at its national party convention in mid-August. Sarney wants to remain for five years at the helm of a presidential system of government, as opposed to a parliamentary system, although his aides indicate that there is room for negotiation. The left wing of the PMDB would like to impose a four-year-term mandate and to hold a direct presidential election in 1988.

When Sarney became President, he stated that he would honor the four-year-term commitment made by the late Tancredo Neves during the presidential campaign in 1984. Once securely in office, however, Sarney began to advocate a five-year presidential term and has lately been pushing for a full six-year term under a parliamentary system, while the majority of the PMDB favors weakening the presidency.¹ Ulysses Guimarães, who holds the triple crown of Speaker of the Chamber of Deputies, president of the Constituent Assembly, and chairman of PMDB, wants Sarney's job and is willing to

go along with the majority push for parliamentarianism. The Democratic Alliance, the marriage between the PMDB and the PFL (Sarney's old party, the Liberal Front party), has never flourished, and debates in the National Constituent Assembly so far have stifled partisan consensus and national unity.

Brazil's external debt now stands at \$118 billion; negotiations have been bogged down for over 18 months, rendering the current finance minister's political situation insecure. Since March, 1985, President Sarney has gone through three finance ministers, two economic planning ministers, and four Brazilian Central Bank presidents, with the third overhaul of his Cabinet coming in September, 1987.

In late February, Brazil suspended the interest payment on its then \$67-billion commercial bank debt (now at \$70 billion), prompting commercial banks in the United States, West Europe and Japan to be wary of Brazil's moves. The banks reinforced their reserves to minimize future losses from third world debts, regrouped their forces and stiffened their position in debt negotiations. Twice since September, 1987, OECD (Organization for Economic Cooperation and Development) governments and bankers have turned down Brazil's offer to convert part of its commercial bank debt to low-yielding, long-term tradable bonds.²

MILITARY INTERVENTION?

As the cornucopian vision of Brazil's democracy and economic prosperity quickly fades, the possibilities of military intervention increase. To ward off threats to his presidency, Sarney took every opportunity to appear with the military at every ceremonial occasion that occurred through the second half of 1987. Former President João Figueiredo, former military ministers and civilians closely linked to the armed forces have spoken out against the policies of the Sarney regime. Political analysts of Latin America have observed that the failure of economies in the 1970's and early 1980's precipitated the downfall of the military-dominated authoritarian regimes throughout the continent. In a similar vein, they have argued that the success of democracy depends on

¹*Gazeta Mercantile*, September 16, 1987.

²*The Wall Street Journal*, September 29, 1987; *Washington Post* (The National Weekly Edition), September 21, 1987; *Veja*, September 9, 1987, pp. 104-105.

the success of economic measures taken by newly installed regimes.³

One can also hypothesize that unlike the Argentine military, the Brazilian armed forces are not a discredited institution; this makes it highly plausible that the military could return to power. Politicians, industrialists and businessmen are known to be reestablishing their old ties with key military men since the politicoeconomic situation began to deteriorate during the second half of 1987.⁴ The unions, agrarian reformers and leftist radicals have eagerly pushed for a confrontation, not a conciliation, with the Sarney government and the economic elite.

THE CONSTITUENT ASSEMBLY

In November, 1986, one of the freest elections held in recent times selected 559 delegates (*constituientes*) to the National Constituent Assembly in order to draft a new constitution.⁵ The PMDB controls 307 delegates (originally 297), while 133 come from the PFL, 26 from the PDT (Democratic Labor party of former Governor Leonel Brizola), 19 from the PTB (Brazilian Labor party), 7 each from the PCB (Brazilian Communist party), the PC do B (the revolutionary pro-Albanian Communist party of Brazil), and the remainder from other minor parties. On the surface, the Democratic Alliance of the PMDB and the PFL gave Sarney and Guimarães an impressive margin with which to push any constitution through the Assembly. But in reality, this hardly proved to be the case. Of the PMDB's original 297 *constituientes*, 217 (73 percent) came from the extinct ARENA (National Renovation Alliance, the military-created party of the right in the 1960's and 1970's).

It was political convenience, not ideological or philosophical convictions, that made party-switching a national pastime among veteran and inexperienced politicians. The loyalty of these "new democrats" has been seriously questioned by the 137 left-wing PMDB *constituientes*, who

³There are many books recently published on this theme. Two most relevant items are: Bolívar Lamounier and Alkimar R. Moura, "Economic Policy and Political Opening in Brazil," in Jonathan Hartlyn and Samuel A. Morley, eds., *Latin American Political Economy: Financial Crisis and Political Change* (Boulder: Westview Press, 1986), pp. 165-196; Silvio R. Duncan Bareta and John Markoff, "Brazil's Abertura: A Transition from What to What?" in James M. Malloy and Mitchell A. Seligson, eds., *Authoritarians and Democrats: Regime Transition in Latin America* (Pittsburgh: The University of Pittsburgh Press, 1987), pp. 43-65.

⁴*Veja*, September 2, 1987, pp. 24-27.

⁵República Federativa do Brasil, *Assembleia Nacional Constituinte-1987: Repertório biográfico* (Brasília: Câmara dos Deputados, 1987).

⁶For the partisan organization of the early 1980's, see Eul-Soo Pang and Laura Jarnagin, "A Requiem for Authoritarianism in Brazil," *Current History* (February, 1985).

⁷*Correio Braziliense*, March 26, 1987; The New York Times, October 4, 1987.

⁸*Visão*, April 29, 1987; *Correio Braziliense*, May 9, 1987; *Diário Popular*, June 10, 1987; *Veja*, September 2, 1987.

⁹*Veja*, September 2, 1987.

came from the original MDB (Brazilian Democratic Movement) that were traditionally opposed to military regimes. It should be remembered that when the late President-elect Tancredo Neves left the MDB in 1979, he did not join the PMDB. Instead, he first created the Popular Party (PP) and then abandoned it by joining the PMDB.⁶

The Constituent Assembly is composed of nine committees, which in turn are divided into 24 subcommittees. The presidents of the committees have wielded less power than the *relatores*, or rapporteurs, who actually run the day-to-day business. The *relatores* review all proposals and suggestions for the constitution, summarize them and consult with committee members on them, and shape the ideas into articles for the constitution. The committee presidencies are honorary posts and went to the PFL (eight posts) and the Social Democrats (one post), while the powerful *relatores* posts were taken up by the PMDB. The PMDB leadership, comprised of Ulysses Guimarães, Mário Covas (the PMDB floor leader in the Assembly), and Fernando Henrique Cardoso (the party's government leader in Congress), felt obligated neither to make any real concessions to the PFL nor to consult it on critical matters. By late September, the frustrated PFL broke up the Democratic Alliance.⁷

Without any ideological glue to hold together partisan loyalties and to reinforce personal followings, the Constituent Assembly at times appeared an institution of absurdities and a place of political bargaining for the personal gain of the delegates and special interest groups. Less than three months into the session, delegates filed no fewer than 9,456 proposals to be considered for incorporation into a constitution. Some proposals bordered on the absurd.⁸ After months of confusion, absenteeism, and the personalistic imposition of petty causes as constitutional proposals, the systematization committee completed a draft containing 305 articles, plus 69 "dispositions" in late August. Even on key issues the PMDB has failed to produce a consensus that would generate a well-formulated, cohesive constitution.⁹

Much of the criticism of the Constituent Assembly has been directed at the left, which represents about one-fourth of the 559 delegates and dominates the Assembly. While the Economic Committee is overwhelmingly represented by the right, and as many as 211 delegates could be considered representatives of the "productive class" (of which the landed interests are the single largest group), these superficial statistics fail to tell the whole story. The critical posts of the *relatores*, the actual writers of the constitution, are in the hands of the left wing of the PMDB. Furthermore, the single most vocal group in the Assembly is the *xiitas*, or Shiites, the radicals of small leftist and Communist parties. Together with this group, the left wing of the PMDB dominates the Assembly, because the right is still fragmented and is often identified with the military regime, and because the dominant party chairman and the president of the Assembly, Ulysses

Guimarães, has failed to rein in the left. Seeing himself as the logical successor to President Sarney, Guimarães has been known to court all factions of the political spectrum, including the military, his sworn enemy just a few short years ago.¹⁰

FROM FUNARO TO BRESSER

As the prospects for success of the Plano Cruzado of 1986 completely dissipated, President Sarney changed his economic team in April, 1987, for the third time since March, 1985. To replace a recalcitrant Dilson Funaro as finance minister, he chose Luiz Carlos Bresser Pereira, a Michigan State University-trained economist, the author of a dozen books and a former president of the São Paulo State Bank (Banespa) under the Franco Montoro administration. By May, the major concerns of the government were how to reduce the horrendous public deficit without provoking unemployment and how to contain its accompanying inflation, then reaching close to 27 percent per month. Banks charged a whopping 2,000 percent annual interest rate on consumer and personal loans. Domestic and foreign businesses cut back on their investments, canceled expansion plans, and laid off workers. Four major automakers alone laid off 25,000 workers by June.¹¹ The country was as surely adrift as if it were a rudderless ship.

In mid-June, President Sarney made a third attempt at economic stabilization. Plano Bresser called for a 90-day freeze on prices and wages; it forbade automatic wage adjustments (known as the "trigger" or *gatilho*) and accelerated the devaluation of Brazil's currency, the cruzado, in order to stimulate exports.¹² In contrast to Plano Cruzado I, the Bresser Plan incorporated the return of indexation (albeit in limited application), a fixed period for the freeze and a gradual increase in prices.

The plan was not a total failure. Although the freeze on wages was unpopular, the other measures worked. Exports began to increase, so that by July, Brazil had accumulated over \$1.4 billion in surplus. Inflation seemed to fall and began to stabilize under the Bresser Plan. The 90-day bank certificate of deposit still sold at 250 percent per year, while the monthly inflation rate for August was about 7 percent by official calculations.¹³ This figure was expected to rise to a double digit, however, as the effects of the freeze on prices and salaries (phase one) began to wear off. In October, wages were rising again, in accordance with the Bresser Plan.

¹⁰ *Veja*, August 19, 1987.

¹¹ *Folha de S. Paulo*, May 30, 1987; *The Wall Street Journal*, August 26, 1987.

¹² *Folha de S. Paulo*, June 14, 1987.

¹³ *Gazeta Mercantile*, September 16, 1987.

¹⁴ *Brasilinform*, September 7, 1987.

¹⁵ Celso Furtado, *A nova dependência (dívida externa e monetarismo)*, 2d ed. (Rio de Janeiro: Paz e Terra, 1982).

¹⁶ Ministério de Fazenda, *The Financing of Economic Development in the Period 1987-1991* (Brasília: Banco Central, 1987), pp. 3-4.

Phase two of the plan (October through December) is built on the principle of flexible price control. Based on the average inflation rate of the immediate preceding three months (July, August and September), the federal government established the URP (a Price Reference Unit), which was used as the official yardstick for allowing price and salary hikes.

Industrial and agricultural products were grouped into four categories. The CIP (Interministerial Council on Price) would control the price hike for two of these categories. Semi-supervised and voluntary guidelines were used in adjusting prices for the other two categories. As phase two of the plan was under way, the government revamped the URP, basing the inflation calculations on the two-month average (July and August) and excluding the September figure, which was higher than the July and August figures.

President Sarney also ordered Finance Minister Bresser and his economic staff to come up with a plan that would reduce the public deficit, but would not result in the firing of any functionaries. Unemployment was something that Sarney could not handle politically. As a way of compromise, government economists recommended (and Sarney accepted) a tax hike of between 10 percent and 15 percent, hitting hardest those middle-income groups with fewer dependent deductions. In essence, this hike simply canceled whatever wage increase the government was willing to grant.

In November and December, wage negotiations are scheduled to take place between industries and several key labor unions. The most vocal, the São Paulo Metalurgist Union (500,000 strong), will be negotiating with automakers and other users of sheet metals. Many companies, both transnational and Brazilian, had granted wage increases voluntarily in order to avoid any interruption in production. However, businessmen were concerned that the combined economic impact of phase two and the midyear reduction in investment could result in recession for 1988.¹⁴

DEBT NEGOTIATIONS

Many businessmen, politicians and technocrats believe that Brazil's economic recovery would be impossible if it were forced to make the enormous interest payments on its \$118-billion external debt. Celso Furtado, the perennial gadfly of the left, insisted in 1982 that Brazil should declare a moratorium and brace for the worst. In fact, there are some cogent arguments for a moratorium, especially from the Brazilian standpoint.¹⁵

It has been widely accepted that the International Monetary Fund (IMF) "conditionality" has been too restrictive and too difficult to meet. Brazil was placed under a belt-tightening austerity regimen in 1983 and was permitted to borrow more in order to pay interest. In fact, Brazil spent \$38.6 billion between 1983 and 1986, precisely during the period that it obediently accepted the IMF austerity measures and also was in a recession.¹⁶

It has received no fresh investment capital of any significant proportion. Citicorp, the largest creditor to Brazil (\$4.6 billion), made 19.5 percent of its profit (or \$168 million) from Brazil's debt payment alone between 1983 and 1985. In 1982, Citicorp's profit was \$746 million, of which 27.3 percent came from its Brazilian operations.

When Sarney took over the reins of government from the military, he became a different political President from his predecessors. First, unlike the military Presidents, Sarney lacked a firm power base from which to make concessions to international capital and to survive. Second, acutely aware of his shortcomings (a former supporter of militarism, a last-minute party swapper and a hapless President at the mercy of more powerful PMDB politicians), the President was determined to make political moves with strong populist overtones. He accepted Funaro's and the PMDB's recommendation that Brazil forgo any dealings with the IMF, especially with respect to the condition that the Fund be given the right to set Brazil's economic priorities, as it did during 1983-1986. Austerity measures, like a deep laceration in public spending, privatization of state-owned companies, suppression of wages and other monetarist policies, resulted in unemployment and recession.

The specter of resurgent massive unemployment, business recession and a shortage of necessities was too much for Sarney to bear as the foundation of his economic policy. Furthermore, his economic advisers pointed out that Brazil had followed IMF instructions faithfully and had paid its interest on time, but Brazil was not rewarded for its good behavior. In short, there were no incentives for Brazil to play the game by the IMF's rules. As the Cruzado Plans I and II failed, the PMDB left-wing advocacy of a moratorium seemed more and more attractive and ultimately prevailed: on February 20, 1987, Brazil unilaterally suspended interest payments on its \$67-billion commercial bank debts indefinitely.¹⁷

With the Cruzado Plan falling by the wayside, the moratorium was the only prudent move that Brazil could make, especially if Sarney wanted to survive politically. It is true that the IMF-instigated austerity program for third world debtors generated a trade surplus of \$7 billion in 1985, up from a \$50-million trade deficit in 1982. But commodity prices during the same period fell by 12.5 percent, while petroleum prices fell by 60 percent. In 1986, Brazil's trade surplus was \$8 billion, but it paid \$10 billion in interest on its external debt. This situation could not continue.¹⁸

The February, 1987, response from Brazil must be seen as a response to the lack of a long-term solution to

the debt problem forthcoming from the United States and other OECD countries. Contrary to popular belief, the 1985 Baker Plan (authored by United States Treasury Secretary James Baker) was a political ploy by the United States to neutralize a third world plan to tie debt payment to trade performance. Baker hoped to infuse funds from the IMF, the World Bank, and commercial banks to the 15 most indebted countries, mostly in Latin America. However, the plan was not well thought out and did not include any prior consultation with the banks.

No bank volunteered to pump money into the 15 countries. In fact, some of Secretary Baker's favorite nations, like Ecuador, the Ivory Coast, Brazil and Zambia, suspended interest payments or broke off with the IMF altogether. In the September joint meeting of the IMF and the World Bank in Washington, D.C., President Ronald Reagan and Secretary Baker changed their stance: the multilateral financial institutions should relax their conditionality, thus allowing the recipients to meet their economic and financial targets realistically; and Germany and Japan should increase their contribution to third world development funds.¹⁹

More growth-oriented policies must be adopted if the debtor nations are to be able to expand their economies. Without growth in the South, trade expansion will not be possible, especially the free trade that the Reagan administration so vigorously defends. Without expanding global trade that can generate surpluses, the South cannot honor its debt obligations to the North. It is this circular interdependent pattern of the international economy that requires close coordination among multilateral, government and private sectors if the world is indeed determined to save itself from the oncoming debt crisis.

American banks have put away over \$22 billion in reserves since this past summer. This meant that the third quarter performance was the worst since the depression of the 1930's: a total loss of \$10.6 billion. The Federal Deposit Insurance Corporation singled out Brazil's non-payment as the precipitator. United States and British banks are now required to increase their reserves to cover 25 percent to 30 percent of their third world loans.²⁰ It has become a fact of life that the future profitability of the American banking institutions, which have been expanding their overseas operations steadily as a major source of revenue, will be tempered by third world economic performance as much as by their own internal corporate decisions.

(Continued on page 40)

¹⁷ *Veja*, February 25, 1987, has a feature article on the "moratorium," a term that the Sarney government assiduously avoided using.

¹⁸ Lawrence Minard, "This is War: A Talk with Political Economist Miguel Colassuono," *Forbes*, June 23, 1987, p. 50.

¹⁹ *The Wall Street Journal*, September 30, 1987.

²⁰ *Gazeta Mercantile*, September 17, 1987.

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"The premises of Uruguayan democracy—continued economic growth, rising standards of living and strong political institutions—are not much different from those of the United States. What is extraordinary is that few people in the United States have any conception of Uruguay's painful struggle to maintain democracy."

The Dilemma of Normalcy in Uruguay

BY RONALD H. McDONALD
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WITH its two more conspicuous neighbors, Argentina and Brazil, Uruguay has reestablished democratic rule—what might appear to be a “normalization” of politics. But the context and consequences of this experience are anything but normal; it has occurred within a crisis of serious economic problems and political uncertainties that makes the tasks of Uruguayan political leaders as formidable as they were in the years immediately before the military takeover in the early 1970's.

There is an obvious paradox in the Uruguayan pursuit of normalcy: it was precisely the normal, traditional processes of Uruguayan politics in the 1960's that led to the economic stagnation and political stalemate that precipitated an unprecedented military intervention. Now that the euphoria of reestablishing civilian rule has passed, there remains the fundamental reality that economic change must occur within a politically difficult and inhospitable context. The success of those changes may once again determine whether traditional Uruguayan politics can survive. Normal political processes may have returned to Uruguay, but extraordinary political dilemmas have also returned; these dilemmas are similar to but more aggravated than those that contributed to military intervention in the first place.¹

Unlike its neighbors, Brazil, Argentina and Paraguay, which have wrestled with military intervention during most of the twentieth century, Uruguay sustained democratic, civilian rule until the military intervention of the early 1970's. That democratic system was based on critical and ultimately invalid premises dating from its establishment by José Batlle in the early twentieth century. Those premises were that economic growth based on industrialization and a sustained demand for traditional Uruguayan exports would continue indefinitely, and that continued growth and prosperity would facilitate ris-

ing standards of living, financial security, advanced social programs and stable democratic politics.

The present dilemmas are complicated by the fact that this utopia was partially achieved.² Older Uruguayans can dimly remember the better days, and younger ones have been told about them. The problem faced by Uruguay's civilian politicians is how to return to what many still regard as normal conditions in the country in the face of major economic problems that have challenged if not destroyed the original premises and have created a new set of economic realities that may have become the new normalcy. Uruguay's many economic problems include a massive international debt; a rural economy that is in need of a major reorganization and is unresponsive to changed demands for its traditional exports; and an urban-based industrial economy that is stagnant, inefficient, costly and inflexible.

Few political leaders disagree about the need for change, what Uruguayans commonly refer to as “economic modernization,” but there is little agreement on how to achieve the change or who will pay the price. Necessary changes will disrupt the lives of most Uruguayans and will create additional deprivations and burdens for many. Throughout Latin America, economic prosperity is a utopia to be pursued through modernization; in Uruguay, it is a utopia to be reestablished through modernization. The military leaders attacked, with limited success, the symptoms but not the causes of Uruguay's economic problems, and today their dictatorship has become identified with all that has gone wrong in the country.

President Julio Sanguinetti and his Colorado party lack a majority in the national Congress and face a continuing threat of legislative stalemate and paralysis, two of the symptoms that encouraged military intervention in the 1970's. The ongoing drama is whether, through democratic processes, an elected regime can function effectively in a difficult and disagreeable economic and political environment, thereby restoring confidence in traditional Uruguayan politics and its utopia. The outcome of that drama is by no means certain.

The process of normalization began in the early 1980's, and culminated with a national election for a ci-

¹For an analysis of the relationship between the pattern of economic decline and the rise of military influence in Uruguay, see Ronald H. McDonald, “The Rise of Military Politics in Uruguay,” *Inter-American Economic Affairs*, vol. 28, no. 3 (1975).

²A somewhat romanticized portrait of Uruguay published before the pattern of decline was clearly visible in Russel H. Fitzgibbon, *Uruguay: Portrait of a Democracy* (New Brunswick, N.J.: Rutgers University Press, 1954).

vilian President and a new Congress on November 25, 1984.³ Both were installed on March 1, 1985, for a five-year term. The context and conflicts of the process that led to the 1984 election were discussed earlier in the February, 1985 edition of *Current History*.⁴ The task of restoring political freedoms and processes proceeded rapidly once the new government took power.

The 1984 election was held under controlled circumstances. The military steadfastly refused to allow some political groups to participate, and made it clear that two potential candidates were not acceptable—Wilson Ferreira Aldunate of the National (“Blanco”) party and Liber Seregni of the Frente Amplio (“Broad Front”).⁵ Liber Seregni had been the 1971 presidential candidate of the Frente Amplio, a coalition that included the Communist party, the Christian Democratic party, and several small political organizations. He was imprisoned several times thereafter by the military and was stripped of his political rights.

Wilson Ferreira had been the most outspoken and effective critic of the military regime during the dictatorship and there was little doubt that he was the front runner in the presidential contest. When Ferreira returned to Uruguay in June, 1984, the military arrested him. Despite military opposition, Ferreira was nominated by his party for President. Hectic last-minute negotiations between civilian and military leaders were held in November, 1984, at the military’s Naval Club, during which it was uncertain that the military would ultimately honor their promise of elections.

A compromise was worked out between the military and the civilian leaders that came to be known as the “naval club agreements.” Ferreira voluntarily withdrew as a candidate and urged restraint on the part of his supporters. The Colorado party, historically the stronger of the two traditional parties, nominated Julio Sanguinetti, a politician with strong support among most of the party’s traditional politicians.

With Ferreira out of the contest, Sanguinetti won the election with 39 percent of the vote. The Blanco candidate, Alberto Sáenz de Zumarán, received 33 percent, and the Frente Amplio candidate, Juan Crottogini, re-

³The 1984 elections were preceded by an unusual party primary in 1982. For an analysis of this election, see Charles G. Gillespie, “Activists and Floating Voters: The Unheeded Lessons of Uruguay’s 1982 Primaries,” in Paul W. Drake and Eduardo Silva, eds., *Elections and Democratization in Latin America, 1980-85* (San Diego: University of California Press, 1986), pp. 215-244.

⁴Ronald H. McDonald, “Political Conflict and Transition in Uruguay,” *Current History*, vol. 84, no. 499 (1985).

⁵The National party is commonly known as the “Blanco” party, and that term will be used hereafter in this analysis.

⁶A complete analysis of the 1984 elections can be found in Juan Rial, “The Uruguayan Elections of 1984: A Triumph of the Center,” in Paul W. Drake and Eduardo Silva, op. cit., pp. 245-272.

⁷The Colorado party has prevailed in every national election since 1903 except for 1958 and 1962, when the Blanco party won.

ceived 21 percent. More than 88 percent of those eligible to vote participated, an extraordinarily high level. The major consequence of the election, apart from the plurality cast for Sanguinetti, was the fact that the Colorado party failed to receive a majority of the seats in both the Chamber of Deputies and the Senate. In fact, party representation in both bodies was virtually identical to what it had been in 1971, when the last election prior to the dictatorship took place.⁶ Party politics in Uruguay resumed where it had ended during the military dictatorship, with virtually no change. The Colorado party has much at stake in this five-year term, because if it failed to achieve acceptable results, its historic dominance of Uruguayan politics could end.⁷

One of the first acts of the new President was to restore full political rights to all those who had been victims of the military repression, including Ferreira and Seregni. Sanguinetti legalized the Communist party, the labor unions, and the right of workers to strike. The national airline, PLUNA, was returned to civilian control; it had been taken over by the military during the dictatorship. Press restrictions were ended, and President Sanguinetti reaffirmed the inherent constitutional right of the press to operate freely without government controls or interference. The prerogatives of military courts were curtailed, including their power to seize property of civilians. The national university, which had been a major source of opposition to the military regime and had been placed under military control during the dictatorship, was reestablished as an “autonomous” institution and its budget was significantly increased. The government took steps to close the notorious prisons where the military had held political prisoners, and those convicted by military courts of political offenses were pardoned by the regime.

THE MILITARY

A major dilemma faced by the new government was how to deal with the military and, specifically, whether or not to indict and prosecute Uruguayan military officers. On the one hand, many political leaders wanted to get the issue of the military dictatorship behind them, to establish control over the military and police organizations, and to proceed with more urgent matters. They also feared that retaliation against the military might unite the military against the civilian regime, galvanizing a source of opposition the new government did not want to face. But a substantial portion of the public wanted the military tried for their violations of human rights, and the government could not ignore that demand. The problem of amnesty could not be easily finessed; however, its resolution could endanger either the credibility or the survival of the civilian regime.

The Sanguinetti government first dealt with the military by reducing its size, its prerogatives and its budget appropriation. Although out of power, the military organizations and officers still constituted a potential threat

to the civilian regime. The popular support the government enjoyed in its efforts to contain the military was not sufficient to override the concern of military officers about possible criminal prosecution. Uruguayan politicians found themselves pulled in opposite directions by these political pressures.

The government's solution to the issue was characteristically political: to announce amnesty for everyone, those who had been charged with violent acts against the government (principally the former Tupamaro urban guerrilla movement) and those in the military who had been accused of human rights violations. The concept was justified in the name of "national reconciliation." One prominent Senator, Jorge Balle of the Colorado party, supported the idea of national reconciliation and argued that responsibility for the difficult period of the dictatorship affected virtually all sectors of Uruguayan society, and was not limited exclusively to one group, the military. Sanguinetti proclaimed general amnesty for the Tupamaros and others shortly after taking office, but when he submitted legislation to Congress in August, 1985, to provide amnesty for the military and police, Congress refused to approve it. The legislature was holding its own investigation of military abuses during the dictatorship and had implicated 45 officers in some 35 acts of human rights violations; a total of 38 cases were legally filed against officers.

Sanguinetti's position on amnesty was unpopular. It was opposed by major political groups, including the Frente Amplio, one sector (the National Rocha Movement) of the Blanco party, and organized labor and student groups. It was also apparently opposed by a majority of Uruguayans. The political controversy was complicated by the so-called naval club discussions, talks that had been designed to resolve the remaining obstacles to military acceptance of the scheduled elections. The issue was compounded by the military's statement that officers would refuse to appear before civilian courts to answer charges of human rights violations, a proclamation that infuriated both Uruguayan politicians and the public. Opponents to the amnesty legislation charged that a deal had been made with the military officers at the naval club discussions to grant amnesty to the officers in exchange for allowing the civilian politicians to take power again. President Sanguinetti denied this, although he conceded that the agreements might have presupposed that amnesty would be forthcoming.

Congressional rejection of the government's amnesty legislation occurred simultaneously with a constitutional crisis over passage of the national budget. These two issues were eventually resolved and Congress approved the amnesty legislation on December 22, 1986. Two days later, the commanders of the three military branches signed a statement indicating that they would testify before civilian courts, indirectly conceding for the first

time that they had, in effect, constituted an imposed government during the 1973-1985 dictatorship. The military had never previously acknowledged that it constituted an "illegal government," clinging instead to a thin legalistic argument that it had acted at the request of legally constituted civilian leaders. The military proclamation was part of a political agreement that permitted passage of the amnesty legislation. The final legislation was ultimately supported by both the Colorado party and the majority faction of the Blanco party, led by Ferreira Aldunate. Ferreira had originally opposed the government's amnesty legislation and had submitted an alternative bill. Ferreira's support was critical to passage of the legislation, in view of his strong opposition to the military.

AMNESTY

The amnesty issue was very emotional. Following the passage of the amnesty legislation, mass protests against it were held in Montevideo. A Communist party Senator, José Germán Araujo, was suspended from Congress for his illegal involvement in the demonstrations. Public opinion polls taken in February, 1987, showed that between one-third and one-half of all Uruguayans opposed the legislation. In a poll taken by Agence France Presse and released on February 26, 1987, about half of all Uruguayans interviewed said they believed that the amnesty law had actually strengthened the military, weakened the credibility of the Congress, and threatened the democratic system.⁸

A movement to compel a plebiscite on the issue of amnesty began. Under Uruguay's constitution, one-fourth of all qualified voters, about 550,000, must sign a petition demanding a plebiscite before one can be held. The government opposed the idea, but President Sanguinetti announced he would hold a plebiscite if the petition process succeeded. The petition drive had to be completed within one year, by December 22, 1987.

The sequence of events involving the amnesty question clearly demonstrated that while the military had lost political power, it had not lost political influence or a willingness to engage in political conflict to protect its own interests. The former commanders of the armed forces had been replaced by new officers through voluntary and involuntary retirements and transfers, but the retired officers constituted an influential pressure group in Uruguayan politics, encouraging their colleagues in the military to protect what they saw as the institutional interests of the organization.

The civilian politicians supporting amnesty wanted to put the controversies of the dictatorship behind them and move ahead with the illusive "normalization" of Uruguayan politics. Politicians who opposed amnesty sought a political advantage, which they may have gained. Control over the military was formalized by legislation unanimously approved by the Uruguayan Senate that gave power to the civilian government to appoint the

⁸Reported by Jennifer Vickers, "Uruguayan Challenging Amnesty Law," *Times of the Americas*, June 3, 1987, pp. 9-10.

commander of the armed forces. Until mid-1986, the government acted only on recommendations made to it by a committee of generals.

The public image of the military was not helped by the publication in 1986 of *L'Empire Moon*, a book by French journalist Jean-François Boyer, who described an alleged \$15-million secret contract signed by the military government to purchase arms from a Korean company, Ton Il, which was part of the vast empire of Reverend Sun Myung Moon's Unification Church. Whatever the facts may have been, the accusations did not improve public perceptions of the military leaders.

THE BUDGET

A major confrontation emerged in 1986 over the first national budget presented to Congress since the military lost power. The two major parties could not agree on spending priorities in time to meet the constitutional deadline of November 15, 1986, for passing a new national budget. President Sanguinetti subsequently threatened to dissolve Congress and force new elections, something none of the opposition parties wanted. Negotiations between Sanguinetti and leaders of the four political parties represented in the Congress eventually produced a compromise on the issue and an agreement among the parties to work toward legislation that would help rebuild the economy. The agreement underscored the difficulties the Colorado regime had in governing, as well as the key role that Blanco leader Wilson Ferreira would play.

In the present context Ferreira's faction of the Blanco party is critical for the passage of legislation. This was made very clear in both the budget crisis and the amnesty legislation, neither of which could have been passed without his support. The idea of cooperation among the major political groups is a powerful and popular one, and the three organizations have been able to agree, at least in principle, on major economic objectives, if not on the question of amnesty for the military officers. Sanguinetti tried with only modest success to integrate opposition parties into his Cabinet. Two Blanco leaders accepted Cabinet positions (Enrique Iglesias as foreign minister and Raúl Ugarte as minister of public health) and the defense minister, Juan Vicente Chiarino, is a member of the small, conservative Civic Union party. Other opposition leaders have refused, however, to serve in the Colorado government.

The legalization of opposition parties in Uruguay has permitted the open participation of former Tupamaro leaders in national politics for the first time. Their organization, the National Liberation Movement (MLN) held

a national congress in late 1986, nearly 25 years after the foundation of the Tupamaro movement. The congress was historically important, because its delegates accepted the notion that they had been defeated militarily in the early 1970's, and they pledged that their organization would continue to operate within the law and to concentrate on political and trade union objectives. The MLN elected as its leader Raul Sendic, the founder and best known of the Tupamaro leaders, who had been released from prison after the new regime took power.

Sendic made a dramatic public appearance in January, 1987, his first in 20 years, in which he reaffirmed the new commitment by the former Tupamaros to democratic procedures. Sendic is now 64 years old, and he speaks with difficulty because of severe gunshot wounds suffered during his arrest in 1972. His affliction is a symbolic reminder of that tragic period in Uruguayan history.⁹ The MLN, along with other groups in the Frente Amplio, clearly hopes to increase its congressional strength in the next election and possibly to win the presidency. The integration of the Tupamaros through the MLN into the mainstream of Uruguayan politics is one of the most dramatic changes since redemocratization began in Uruguay.

The labor movement held a national meeting in mid-1987 attended by 1,200 delegates from some 90 unions, which claim a combined membership of 240,000 workers. A proclamation resulting from that event clearly summarized the major economic issues facing the country. It called for an improvement in the standard of living for workers, the readjustment of salaries, the ending of repayments to foreign banks, and the expansion of public expenditures for health, social security, education and rural services.

The size of the labor movement guarantees it a substantial voice in national politics. The labor movement, which supports the petition for a plebiscite on the amnesty question, is large enough to guarantee half the required signatures needed on a petition, and its vote in the 1989 elections will be critical. The concerns it expresses are widely held. The issues are not only salaries and living standards, although those are most immediately important to workers, but also services, which are important to a far larger group of voters. There are almost as many retired persons in Uruguay as there are workers, and they are also deeply affected by the availability of social security and public services as well as by inflation. Members of the labor movement and of the group of

(Continued on page 35)

⁹The turbulence of the early years of the military dictatorship is discussed in Howard Handelman, "Military Authoritarianism and Political Change," in Howard Handelman and Thomas G. Sanders, eds., *Military Government and the Movement toward Democracy in South America* (Bloomington, Ind.: Indiana University Press, 1981), pp. 215-236.

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"Even if a civilian President is elected in the plebiscite scheduled for September, 1988, the most powerful person in Chile would still be General Pinochet. . . . Thus, no matter what the results of the plebiscite, none seems likely to usher in the smooth transition to 'protected' democracy that Pinochet and his aides have spent 14 years planning."

Plebiscite in Chile: End of the Pinochet Era?

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FIFTEEN years after the coup d'état in Chile that deposed an elected Marxist government, the regime of General Augusto Pinochet faces its most serious challenge. The constitution, created by the Pinochet regime and adopted by a popular plebiscite in 1980, requires that the commanders of Chile's army, navy, air force and national police unanimously select a successor to Pinochet as President for an eight-year term beginning March 11, 1989.

Before taking office, however, the nominee must be ratified in a popular, yes-or-no plebiscite that will most likely take place on September 11, 1988. No opposition candidate will be permitted to run, but the government, having weathered nationwide protests and an assassination attempt against Pinochet, now faces the strong possibility that a majority of the Chilean people will reject its candidate. Barring military intervention, this event would replace a controlled transition to "protected democracy" with a heady but unpredictable leap into postdictatorial politics.

It is clear that Pinochet would like to be the official candidate and retain the presidency until at least 1997. In 1980, he rejected a draft constitution by the Council of State, a group of prominent advisers headed by former President Jorge Alessandri, because the draft called for free elections by 1985; privately, Pinochet urged aides to write a 16-year presidential term for him into the document, but later he accepted the eighth-year plebiscite because he feared that voters would not ratify the constitution. Since then, the general has become even more convinced that his leadership is indispensable; that he has a mission to save Chile from subversive foreign ideologies and ineffectual domestic politicians; and that the combination of authoritarian rule and a liberal economy will eventually modernize Chile, rendering obsolete the partisan politics of the past. As he approaches his 74th birth-

day, Pinochet becomes increasingly unable to divorce his person from the identity and future of the nation.¹

In his determination to remain in office, Pinochet has displayed the paranoid tenacity of a man who came to power by force, eliminated rivals (including former mentors and colleagues) and survived attacks like the September 6, 1986, assassination attempt on his convoy by Communist commandos of the Manuel Rodriguez Patriotic Front. As a marked man, Pinochet is convinced he and his family might not survive once he left office.

In the past, Pinochet has shrugged off the evidence of his unpopularity, saying it is a cross he must bear for keeping Soviet imperialism from Chile's door. But as the plebiscite approaches, Pinochet and his backers have realized that they must play to public sentiment if they are to remain in power.

President Pinochet launched his election drive during 1987 with the planning of a veteran military tactician. Because he has not officially declared his intention to run, Pinochet has left moderate conservatives with the hope they may be able to negotiate a transition with a nonmilitary government candidate. Meanwhile, Pinochet has devoted extraordinary efforts to winning support for the "yes" option in the plebiscite.

Pinochet's most formidable weapon has been the vast machinery of Chile's authoritarian state. First, he has marshaled hundreds of regional and local officials—all appointed by Pinochet—to act as campaign boosters. In July, he shuffled his Cabinet to smooth preparations for the plebiscite, naming as interior minister Sergio Fernández, a trusted adviser who held the post during the adoption of the 1980 constitution.

In the eight years that have ensued since Chile's voters accepted a repressive, authoritarian constitution, however, the political climate has changed, and it is not likely that Pinochet would win a popular vote. This raises serious doubts about whether the commanders in chief would automatically support his nomination. In 1980, Chile was awash with confidence and with consumer goods purchased by heavy government borrowing abroad. Since then, the gross national product (GNP)

¹The observations in this article about General Pinochet are based on studies of the public record and on extensive interviews conducted by the authors in Santiago, Chile, with former advisers, Cabinet officers and other observers who know the President well.

has plunged and joblessness has soared. Although macroeconomic indicators improved and, in 1987, the gross domestic product (GDP) was expected to grow by 5 percent, austerity programs imposed by the government to service its \$26-billion foreign debt have decreased services to the poor and have lowered the purchasing power of average citizens. Recent polls have shown that most people feel their economic lot has not improved under the current regime and is not likely to do so.²

THE POLITICAL CLIMATE SHIFTS

An even greater shift has occurred in Chile's political climate since 1980. Then, the memories of unrest and scarcity during the Allende years were still fresh among the middle class, and political activists were still cowed by severe repression. But after the 1983 protest movement, that fear diminished and resentment against repression grew. In response, the government has shown its weakness by continuing to apply selective authoritarian measures, invoking repeated states of emergency and restricting civil rights. After the attempted assassination of Pinochet, a state of siege was imposed for three months. During 1986, Chilean church and human rights groups reported over 7,000 political arrests, 1,000 people wounded and 58 people killed by security forces; there were also 132 charges of torture.³

The government's poor human rights image was further tainted by the visit in April, 1987, by Pope John Paul II. Officials hoped that the Pope's visit would confer a blessing on Pinochet's rule; instead, the Pope condemned his regime as "dictatorial"; then he proceeded to hold huge open-air masses in a militant slum district and in the soccer stadium where hundreds of civilians had been detained and tortured after the coup. Pinochet did engineer several favorable events, such as an appearance with the Pope on the balcony of Pinochet's palace. And the government quickly blamed Marxist agitators for a rock-throwing incident at one mass, which led to a panicked stampede. But the dominant impression left by the papal visit was one of clear Vatican distaste for Pinochet's continued one-man rule.

In the past year, the government has made some improvements in the area of political rights, most of which have been aimed at creating a positive atmosphere for the plebiscite. In a New Year's message evoking a "spirit of national unity," Pinochet lifted the state of siege and announced that he would permit a majority of Chile's remaining 3,500 political exiles to return. In March, of

²For figures on economic expectations, see the survey conducted by the Centro de Estudios Publicos, *Estudio Social y de Opinión Pública en la Población de Santiago* (Santiago, 1987).

³For statistics on human rights issues, see Arzobispado de Santiago, Vicaría de la Solidaridad, *Derechos Humanos en Chile* (Santiago, 1986).

⁴The most accurate polling in Santiago is being conducted by the Facultad Latinoamericana de Ciencias Sociales and the Centro de Estudios del Desarrollo. See their *Informe de Encuesta: Opinión y Cultura Política* (Santiago, August, 1987).

ficials legalized all non-Marxist political parties. For the first time since seizing power, the government also permitted two opposition daily newspapers to open: the sophisticated, centrist *La Epoca*, and the popular *Fortín Mapocho*. Nevertheless, two opposition magazine editors have been indicted for criticizing the government, and television stations continue to operate as virtually official mouthpieces.

Popular discontent with Chile's economic and political conditions has been confirmed by independent public opinion polls that show the President's popularity to be extremely low; one poll found that voters preferred "democracy" to Pinochet's continued rule by 77 percent to 13 percent; another showed Pinochet to be far less popular than any of Chile's three previous Presidents, including Allende. The general disenchantment is also reflected in the vast majority of Chile's labor unions, professional societies and college student associations, where leadership slates from opposition parties have easily defeated official tickets.⁴

Even many leaders of the right, who endorsed the coup and the 1980 constitution, now argue it would be unwise for Pinochet to succeed himself. Some Chileans believe that Pinochet cannot win the plebiscite and that his defeat would damage the armed forces and the progress made under military rule. Others believe Pinochet's continued rule would exacerbate political polarization and strengthen the violent left. Such conservatives advocate either a substitute civilian candidate named by the military commanders, or a modification of the constitution to permit free elections, arguing that Pinochet could more easily defeat several candidates of a divided opposition than he could earn 51 percent of a yes-no vote. Since the constitution allows Pinochet to remain in office an extra year if defeated, these critics worry that the upheaval of those months could lead to a center-left victory in the open elections that would follow, recreating the chaos of the Allende days.

Such arguments weigh heavily on Chile's military commanders, who are torn between allegiance to their chief and their concern with winning the plebiscite. The junta toyed with the idea of changing the constitution to permit an open election, and although they could not agree to take such a step within the necessary time, the heads of the navy, air force and police have not yet committed themselves to Pinochet's candidacy. Both General Fernando Matthei, the air force commander, and General Rodolfo Stange, the director general of the police, have indicated they would prefer an alternative nominee. Admiral José Toribio Merino, the navy commander and the only remaining member of the original junta besides Pinochet, has said it would be best for Chile if the commanders abandoned power altogether. Thus, Pinochet's campaign is aimed at convincing the junta that he is the nominee most likely to guarantee them victory at the polls.

Despite these misgivings, there are a number of prac-

tical reasons why the other commanders may find it difficult to oppose Pinochet's ambitions. First, since the law requires that the commanders voice unanimous concurrence on a candidate, Pinochet—who casts a vote as head of the army—could veto any other choice. If another commander were to veto him and the group did not agree within 48 hours, the choice would be made by a majority vote of the seven-member National Security Council—on which Pinochet also sits and controls three or four votes. But the other military chiefs are unlikely to risk a confrontation that could seriously divide the armed forces. Through his leadership of the dominant military branch, Pinochet has always capitalized on the fear that disunity could weaken the military's defense against domestic and foreign enemies. Finally, his dominant personality and his control over the careers of all military officials make him a formidable adversary. According to sources close to the regime, Pinochet supporters could be behind a spate of rumors designed to discredit General Matthei. Pinochet's colleagues may attempt to exact an important concession for supporting his candidacy by insisting that he relinquish his post as army chief. Pinochet might accept this demand, if he could keep the military title until his inauguration—thereby ensuring that he would remain as commander in chief if he lost the plebiscite.

It is conceivable, though unlikely, that Pinochet could decide not to seek another term as President. Some of his advisers say he is too wily a tactician to risk defeat, and that he realizes that high levels of scrutiny would make it impossible to engineer a favorable outcome by fraud. Under this scenario, he would choose a stand-in candidate and count on continuing to wield power as army commander. Even if the candidate lost, Pinochet would remain Chile's most powerful figure as army commander, member of the National Security Council and only lifetime senator.

OPPOSITION LAGS BEHIND

Although the government's unpopularity is a serious threat to its future, Pinochet's prospects may be heightened by the disarray among his opponents, who have stumbled along behind as the regime gears up for the plebiscite.⁵ The hopes for a broad consensus that would push Pinochet from power—symbolized by the signing of the National Accord for Transition to Full Democracy in the fall of 1985—were dashed by personal and partisan disagreements. During 1986, the opposition was unable to generate enough popular unrest to

⁵The following paragraphs, drawn primarily from interviews with party leaders, and with rank and file members, were conducted by the authors in July and August, 1987. For an analytical discussion of the situation of party oppositions in Chile, see Arturo Valenzuela and J. Samuel Valenzuela, "Party Oppositions Under the Chilean Authoritarian Regime," in J. Samuel Valenzuela and Arturo Valenzuela, eds., *Military Rule in Chile: Dictatorship and Oppositions* (Baltimore: The Johns Hopkins University Press, 1987).

force Pinochet from his planned itinerary, because large sectors of the middle and upper classes grew nervous about allying with the left and preferred to aim for a negotiated transition with the armed forces.

The approach of the election has exacerbated a number of long-term problems within the opposition, which continues to operate under a partisan calculus that undermines its ability to unite and to force change. Belatedly realizing that neither protests nor persuasion were likely to alter the government's transition formula, and faced with a new law that permitted most parties to organize publicly for the first time in 14 years, political groups across the spectrum began to worry about the congressional elections scheduled to follow the plebiscite. The groups began to reposition themselves for long-term party survival, often sacrificing joint short-term strategies that were designed to assure an opposition victory in the plebiscite. Although the looming electoral process forced party leaders to form several new coalitions, most shied from making any compromising gestures toward rival groups that might cost them future votes.

The one step toward opposition unity came with the start of a multiparty campaign demanding free elections launched in March, 1987. Regime opponents across the spectrum viewed the plebiscite as an illegitimate tool of the regime, so free elections were a logical goal around which to unite the parties. If they failed to convince the junta to permit open elections, campaign leaders reasoned, the parties could become a vehicle for rallying voters to the "no" option in the plebiscite.

But the mistrust among Chile's political groups began working against either goal. While endorsing the free elections slogan, left and center groups insisted on having individual committees to promote the elections, thus duplicating efforts and confusing the public. Most opposition parties, except the Communists, agreed to support voter registration efforts in conjunction with the free elections drive, but they divided on the wisdom of registering their organizations under the new law.

This debate may prove moot, since no party—with the possible exception of the Christian Democrats—is likely to obtain the approximately 30,000 signatures required to register. After 14 years of political repression, even conservative parties are finding that many of their followers are unwilling to sign a document that identifies them with a political group.

Although many opposition leaders cling to the illusion that free elections can be arranged, others have urged their rivals to set differences aside and present a common platform and candidate to ensure a victory for the "no" vote. They fear that otherwise Pinochet could frighten middle-class voters into believing that a "no" vote would only lead to chaos. But opposition parties have failed to agree on either a policy or a candidate. Those who tried to act as brokers, like Christian Democrat Sergio Molina, were attacked from both camps as being guilty of leaning too far to the other side. When Molina gave a

lengthy newspaper interview in August, 1987, he was rebuked by labor leaders for praising the regime's economic program and condemned by rightists for suggesting that some reforms were necessary.

Obsessed with staking their claim in a future democratic society, each party has demanded impossible concessions from the others as the price for coalition-building—even though the ultimate price could be the continuation of military rule. Instead of acting like leaders and uniting to push Pinochet from office, his opponents remain too trapped in their past differences and too worried about alienating voters to form an alliance with potential rivals in a postdictatorial era. Chile risks recreating the polarization that led to the collapse of the Allende government.

On the right, political factions that had abdicated a role in politics for 14 years realize that the new electoral rules do not necessarily favor them and that they do not have enough strength to succeed alone. In early 1987, they formed a new coalition called National Renovation. But the appearance of concerted aims was illusory, because the coalition's members remained divided on key issues. The moderate National Union backed the free elections drive, while the pro-regime Independent Democratic Union hoped to find a consensus candidate that military officials would support, so that the military could continue its free-market, anti-Communist model under a more popular leadership.

However, there were many obstacles preventing an agreement on such a candidate. One obstacle was a combination of fear and social pressure: conservatives worried that by backing an alternative candidate prematurely they would risk recriminations should Pinochet be nominated and win. For many middle-class voters, the President remained the safest guarantee; many businessmen had become heavily indebted to the state and were reluctant to antagonize the authorities who had often targeted critics for economic retribution. Moderate conservatives felt pressure against compromise from the new far-right, populist campaign groups like National Advance. Many members of the Independent Democratic Union occupied important government posts and could not publicly defy Pinochet. Finally, party leaders were already jockeying for position in the congressional elections, and did not want to jeopardize their chances of winning legislative seats. The longer the right delayed in producing a candidate, however, the less well-known and credible he would be to the military commanders who would have to accept him.

The Christian Democrats, the dominant centrist force in Chilean politics, were consumed for eight months by an internal election, which distracted their national leadership ability. In July, party delegates finally voted for a new president, replacing left-leaning Gabriel Valdes with more conservative lawyer Patricio Aylwin. Although Aylwin was far more acceptable to the middle class and other potential anti-Pinochet allies on the right,

that advantage was offset by the continued divisions within the party. The losing candidate, who received 40 percent of the vote, was backed by important labor and student groups who advocated an alliance with the socialists and favored boycotting the regime's electoral process.

The Christian Democrats played a leading role in the free elections drive, and their new leadership sought a common presidential candidate with the moderate left and right, but not even the two wings of the party could agree on a single nominee. The continued strength of the party's left wing made conservatives quick to condemn the Christian Democrats for seemingly small sins like a ceremony on the twentieth anniversary of agrarian reform and a teacher's union alliance between Communist and Christian Democratic delegates. The party remained a formidable force, perhaps the only political group capable of rallying mass support for the "no" option or of gathering enough signatures to register as an official party. But this very strength aroused such suspicion that it damaged the party's potential to lead the opposition to Pinochet.

Within the democratic left, dominated by the socialist faction headed by Ricardo Nunez, the prospect of the plebiscite and elections brought conflicting pressures. Anxious to end the dictatorship, but skeptical of the protest strategy advocated by the far left, the Nunez socialists felt compelled to entertain the Christian Democrats' request that they join forces to promote free elections or the "no" vote. But looming electoral contests also forced party leaders to guard against their chief rivals, the more radical socialist wing that followed the exiled leader Clodomiro Almeyda. By working too closely with the Christian Democrats, the Nunez socialists feared being labeled as intellectual reformists and the loss of grassroots members to the Almeydistas. So in late 1986, Nunez left the Democratic Alliance, a coalition dominated by Christian Democrats, and considered joining a new seven-party coalition in early 1987 that was called the United Left.

The Nunez socialists' fortunes were further damaged by Almeyda's dramatic clandestine return from exile in March, 1987; the party patriarch, who sneaked into Chile across an Andean pass and turned himself in to the courts, was promptly detained, shipped to a remote island and then put on trial for subversion—all of which enhanced his mystique.

Despite this triumph, the Nunez group avoided collaborating too visibly with the Christian Democrats in a single free elections committee, a decision that left that organizing effort divided and confused. To further prove their commitment to the left, the Nunez group has promoted efforts to unify all socialist factions.

For Chile's Communist party, the failure of the assassination attempt and the discovery of several clandestine arsenals in late 1986 provoked a profound crisis. For the democratic opposition, these events confirmed their fears that the Communists, with whom they had coexisted for

decades, were actively encouraging insurrectionary violence, which could be aimed against a future democratic government as well as the dictatorship. Increasingly isolated, Communist party leaders were forced to reevaluate the strategy they had pursued since the 1980 creation of the Manuel Rodriguez Patriotic Front. But in the intervening years, the insurrectionary cells, composed largely of disaffected urban youth, had taken on a dynamic of their own. When the party leadership attempted to rein in the Rodriguezistas, a number of them abandoned the party in March, 1987, and, without their former financial backing, reportedly began resorting to kidnappings.

The approach of the plebiscite further divided and isolated the Communist party. Prohibited from participating in electoral politics, party leaders declared they would boycott any plebiscite or election as a fraudulent sellout. But many longtime militants concluded they should join the democratic opposition's free election drive and urge people to register to vote "no" if the plebiscite proceeded. In an especially damaging blow, Maria Maluenda, a former legislator and lifelong Communist, defied the party in the summer of 1987 and registered to vote. Although party leaders bitterly declared she had left their ranks, there were signs the party would soften its position and possibly support free elections.

UNITED STATES BEWILDERED

The administration of President Ronald Reagan, which has regularly protested human rights abuses by Chile since 1983 but has stopped short of concrete economic sanctions, seems uncertain about how to exert a moderating influence on the transition formula. Administration officials are concerned that Pinochet's determination to remain in office could lead to unrest, instability and the strengthening of the insurrectionary left. Testifying before a congressional committee in July, 1987, Elliott Abrams, the United States assistant secretary of state for inter-American affairs, described Chile's "democratic future" as "very much in doubt."

But Washington's ability to affect the electoral process has been hampered by several limitations. Officials cannot use the "carrot" of friendly persuasion because relations between Washington and Santiago have been cool for years. The United States lost most of its influence during the administration of President Jimmy Carter, when military and economic aid to Chile was cut off. In the past 18 months, two dramatic human rights cases strained relations even more severely. The first was the death of Rodrigo Rojas, a Chilean-born student living in Washington, D.C., who was reportedly burned by a Chilean army patrol during an antigovernment protest in July, 1986. The second was an unexpected new development in the 1976 assassination in Washington, D.C., of Orlando Letelier, a former top aide to Allende. The case burst back into the headlines in February, 1987, when Armando Fernandez Larios, a Chilean army ma-

jor, escaped to the United States and confessed that he had played a minor role in the crime. Two officials of Pinochet's military intelligence apparatus, including General Manuel Contreras, then head of the dreaded DINA secret police, had been implicated in the crime, but neither had ever been extradited and the case had languished for years. After Fernandez Larios's confession, the United States again requested extradition, but the military courts refused.

The only potential leverage remaining to the United States is its influence on loans to Chile from international financial institutions, which are critical to its continued economic solvency. During the summer of 1986, Abrams hinted that unless Chile's human rights record improved, Washington might oppose an upcoming \$400-million World Bank loan to Chile; when the issue came to a vote in November, however, the United States merely abstained. In late 1987, there were signs that United States officials might try to restrict some payments to Chile on grounds that foreign loans were being used to shore up Pinochet's electoral campaign.

In general, however, the Reagan administration has remained unwilling to use this sanction because of opposition from United States bankers and Chilean businessmen, because other member countries are reluctant to use political criteria in making loan decisions, and because United States officials have a positive view of the regime's conservative economic policies, which have led to an excellent repayment record on the foreign debt. The Reagan administration has also steadily opposed efforts by Senate Democrats to impose broader economic sanctions, arguing that cutting off aid will only injure Chile's poor.

Finally, the Reagan administration maintains considerable mistrust of the regime's leftist opponents—a suspicion that deepened after the assassination attempt on Pinochet. Therefore, they have been reluctant to condemn the plebiscite, instead limiting their criticisms to calls for a fair and fraud-free vote with full opposition access to the press. Some liberal critics suggest the United States would rather see a conservative, substitute candidate for Pinochet accepted by the military instead of trusting the system to center-left politicians. On the right, regime backers suggest that United States diplomats, having spoken out for months against Pinochet's human rights record, are now retreating after a series of snubs from Chilean officials.

Whether Pinochet or a substitute candidate wins or
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BOOK REVIEWS

ON SOUTH AMERICA

By Mary Anderberg

Consulting Editor, *Current History*

PARTNERS IN CONFLICT: THE UNITED STATES AND LATIN AMERICA. By Abraham F. Lowenthal. (Baltimore: The Johns Hopkins University Press, 1987. 240 pages, sources guide and index, \$19.95.)

In this important study of United States-Latin American relations, Abraham F. Lowenthal calls for a new approach to United States relations with Latin America and the Caribbean nations. He recommends that the United States move away from its preoccupation with national security and from policies that are grounded in habitual attitudes of dominance. Instead, the United States should build cooperative relations with its hemispheric neighbors based on *confianza*—self-confidence and trust. His thesis is that Latin America's economic, social and political transformation in the last 25 years has not been appreciated by the United States, and that United States policy has not adjusted to the fact that its interests in the area today are different from what they were historically.

Lowenthal reviews the demographic, social, economic and political changes that have taken place in the region. A striking feature of developments in the area has been the growth of modern state structures and burgeoning bureaucracies. There has been a new alignment of political power, and the old sources of authority—traditional families, large landholders, military caudillos, and foreign corporations and diplomats—have lost influence. Power has spread to new groups: industrial and commercial associations, technocrats and bureaucrats, labor unions, peasant cooperatives, urban community groups, religious groups and the armed forces. After 25 years of experimentation with various authoritarian and repressive political systems, there is a trend, particularly in South America, toward more democratic processes. Lowenthal points out, however, that this trend is fragile and could be reversed by economic difficulties.

Traditional and contemporary United States interests in the area—security, political and economic concerns—are also examined and evaluated. Lowenthal cites four contemporary trends that have increased Latin America's potential impact on the United States: Latin America's growing importance as a market for United States capital goods and for the international activity of United States banks; the massive migration of people from the Caribbean, Mexico, and some Central American nations to the United States; the ability of Latin American nations to help solve urgent problems, such as drugs, terrorism, environmental degradation and nuclear proliferation;

and the improvement of prospects for preserving values fundamental to the United States, especially with respect to human rights.

In reviewing United States relations with Mexico and South America, Lowenthal suggests that the most important change that is needed is a positive economic policy that would help these nations resume economic growth and recovery. Today, as Lowenthal points out, the small nations of the Caribbean and Central America have once again become the focus of United States policy as they were 60 years ago.

He believes that United States relations with the Caribbean nations often suffer from a tendency to treat ideal visions of the region as the realistic objectives of our policy, thus confusing unattainable preferences with core United States interests. Lowenthal charges that the Kissinger report and other official pronouncements of our policies toward nations in the Caribbean are a mirage, receding inevitably as they are approached.

In conclusion, Lowenthal warns that continued intervention in Central America may increase nationalist and revolutionary fervor. He urges a retreat from the Central American obsession and a concentration on Latin America's severe economic crisis, and also calls for bold United States leadership, "not intrusive or domineering, but respectful and supportive." Lowenthal suggests that if we can abandon the habits of dominance, the United States and the Latin American states can turn from conflict to partnership.

ECUADOR: AN ANDEAN ENIGMA. By David W. Schodt. (Boulder: Westview Press, 1987. 188 pages, notes, glossary, bibliography and index, \$26.50.)

A new volume in the Westview Profiles of the Nations of Latin America series, this study outlines Ecuador's geographical features and historical background, and interprets their effect on the modern state of Ecuador. Ecuador's highland landscape has posed formidable obstacles to Ecuador's economic and political development. Ecuador has three geographic regions: the coastal lowlands, the highland sierra and the *oriental*, a tropical rain forest. The *oriental*, which comprises 46 percent of the land, was sparsely populated until 1967, when petroleum was discovered there.

Political stability in Ecuador has been linked to its dependence on a single export crop: first cacao, then bananas, and now petroleum. Since the 1950's, Ecuador's social, economic and political life has undergone considerable change, and the military government of the 1970's greatly expanded the economic functions of the state. The return to a democratic government, the decline in oil revenues and the prospects for the future are discussed in final chapters.

URUGUAY

(Continued from page 28)

retirees combined constitute a formidable political constituency.

ECONOMIC PROBLEMS

There is no question that the long-term viability of civilian politics in Uruguay rests on the ability of its leaders to reform the Uruguayan economy, which is a major problem the country has faced for the last three decades. Uruguay's economic problems are extraordinarily difficult, and it is debatable whether any civilian regime subject to electoral review can take the stringent measures necessary to resolve them.

As in Argentina and Brazil, redemocratization in Uruguay came at a time of deteriorating economic conditions. But Uruguay's economic problems are not short-term; they are serious structural problems that have existed for several generations and can be resolved only through a substantial reorganization and reorientation of both the rural and the industrial economic sectors.¹⁰ These long-term problems were aggravated in the late 1960's and the early 1970's by a loss of confidence by domestic and foreign investors, because of economic and political instability. Uruguay's economic problems were further exacerbated by a sharp rise in imported petroleum costs. By the time civilian government was restored, the economic recession that plagued Europe and the United States in the early 1980's had hit hard in Uruguay.

The military had partially reversed the pattern of economic decline by restoring political stability and by stimulating investment and trade through massive foreign loans. Those loans vastly expanded the country's foreign debt, from about \$500 million when the military came to power in 1973 to over \$5 billion when they left power in 1984. To cope with increasing foreign debt payments, the military cut heavily into government expenditures for social programs, which in turn created serious long-term political problems.

Between 1980 and 1984, per capita income in Uruguay fell from \$2,426 to \$2,023, despite a stable population. Economic growth became negative in 1981, and fell by eight percent in 1982 and by two percent in 1984. Domestic investment was low and declined, in 1984, by 17 percent. Inflation in 1984 was nearly 70 percent, and

¹⁰Howard Handelman, "Economic Policy and Elite Pressures," in Howard Handelman and Thomas G. Sanders, *op. cit.*, p. 237

¹¹Statistics on the decline in real wages are taken from Vitorio Corbo and Jaime de Melo, "Lessons from the Southern Cone Policy Reforms," in *The World Bank Research Observer*, vol. 2, no. 2 (1987), pp. 116-117.

¹²Economic data through 1986 are taken from Inter-American Development Bank, *Economic and Social Progress in Latin America* (Washington, D.C.: Inter-American Development Bank, 1987), pp. 398-404.

unemployment was officially reported at about 15 percent; unquestionably, it was higher. During the years of military rule, the cost of living in Uruguay rose by 7,500 percent, while real wages fell by over 50 percent.¹¹ More important, although exports had risen in value, the external debt increased at a faster rate. By 1984, the debt-service ratio was 35 percent, an intolerably high level given the huge public expenditures required for social security and other public purposes. When the civilian government took power, there were 532,000 retired persons in Uruguay dependent on social security, approximately one retired person for every working person.

The new government has been able to reverse some of the negative economic trends. The pattern of economic decline was halted in 1985 when the gross domestic product (GDP) remained stable; in 1986 it rose by six percent. Industrial growth in 1986 was over 12 percent, anticipating a general recovery in the economy. The balance of payments in 1986 showed a surplus (\$91 million) for the first time in several years, and the debt-service ratio fell to a more manageable 25 percent. Most important, however, was the increase in real wages of 14 percent in 1985 and of seven percent in 1986 after many years of decline. Unemployment also fell in 1986 to 11 percent, although inflation remained at about the same level, 76 percent. Unfortunately, much of the economic success was due to a short-term decline in the cost of petroleum imports and a one-time increase in exports to Brazil; it remains to be seen whether the favorable economic trends can be continued after 1987.¹²

President Sanguinetti summed up the economic objective facing the government as one of "modernization," specifically, increasing productivity and stimulating investment. Sanguinetti said this objective could not be achieved without an increase in foreign investment, and he defended the need to encourage private enterprise and investment in the economy. Sanguinetti also announced a 27 percent increase in public employee salaries and an 85 percent increase in pension benefits for retirees in 1986, neither of which could begin to match losses resulting from the 1986 inflation rate of 80 percent.

Uruguay's debt and its need to expand foreign trade are partly international problems, and the new administration has looked toward international solutions to its dilemmas. Shortly after taking office, President Sanguinetti signed new trade and exchange agreements with both Argentina and Brazil, with the latter allowing Uruguay to export nearly half its rice crop and a large amount of beef to Brazil. Sanguinetti also signed new agreements with the Soviet Union, including an important agreement to expand Uruguayan fishing industries. In early 1987, it was announced that Soviet General Secretary Mikhail Gorbachev had accepted an invitation to visit Uruguay. Relations were reestablished with Cuba after 21 years, and there is a prospect for renewed trade between the two countries.

However, Uruguay's most important foreign relation-

ship is with the United States, which can help it resolve its international debt problems. Relations between Uruguay and the United States have been poor over the past two years. Uruguay has opposed United States involvement with the rebels in Nicaragua, and Uruguay's Senate repealed the Uruguayan trade embargo with Nicaragua. From 1985 on, the United States seemed unwilling or unable to lend support to the new Uruguayan regime, and several minor diplomatic incidents raised doubt as to whether the United States would understand and assist the new civilian regime. Without United States support, the success of the effort by Uruguayan leaders to solve their economic problems remains very much in question.

A DEMOCRATIC TRADITION

An important fact must be kept in mind. Uruguay was one of the few countries in Latin America to have achieved a genuine democratic heritage and to have sustained it throughout most of the twentieth century. The military dictatorship was a new experience in Uruguay, as is the present task of reestablishing democracy. Uruguay is not a stereotypical poor country filled with uneducated peasants, which periodically suffers from recurring infections of military rule. It is a small country that reached an unusually high standard of living and achieved advanced social conditions early in the twentieth century. Literacy, high educational and health standards, and an advanced system of public services and welfare were created in Uruguay long before they were common in Europe or in the United States. What is distinctive about Uruguay is that for nearly two generations it has experienced chronic economic stagnation and decline to an extent unknown in other nations.

The collapse of Uruguayan democracy and its subsequent reconstruction are not experiences limited in importance to Uruguay. The conditions that caused the failure of its political system and the resulting military dictatorship have universal implications for those concerned about sustaining democratic institutions in the face of protracted economic and political crises. The premises of Uruguayan democracy—continued economic growth, rising standards of living and strong political institutions—are not much different from those of the United States. What is extraordinary is that few people in the United States have any conception of Uruguay's painful struggle to maintain democracy.¹³

Democracy was reestablished in Uruguay by political negotiation with the military leaders. Should there be an acceptable solution to the present dilemmas, it must also come through political negotiation and innovation. If normalcy in the Uruguayan context means a return to democratic life, then normalcy has been achieved. But in

¹³For a more complete description of the changes in Uruguayan party politics during this period, see Ronald H. McDonald and J. Mark Ruhl, *Party Politics and Elections in Latin America* (Boulder: Westview Press, forthcoming).

Uruguay, as elsewhere, democracy and political freedom are premises as much as conclusions. In the short run, the success or failure of the traditional parties and politicians will be measured by the results of the 1989 elections. The Frente Amplio and its component groups are now offering an alternative to the traditional parties, and their success in 1989 will depend on whether Uruguayan voters are convinced that the traditional leadership can solve the economic dilemmas and that normalcy will work. In the long run, the survival and credibility of civilian rule are at stake in these upcoming elections. ■

PERU

(Continued from page 16)

strikes did little permanent damage to the industry; today, it suffers from depressed prices due to oversupply. Using sophisticated surveillance aircraft provided by Washington in mid-1987, the García regime hopes to intercept drug-laden planes in the air.

In early 1987, as the administration savored the statistics on the previous year's strong economic performance, new data indicated the rapid approach of troubled times. The nearly full utilization of installed industrial capacity and mounting budget deficits signaled a return to triple-digit inflation. In spite of García's efforts to woo businessmen with special incentives, new investment was not occurring at the rate required to keep the boom alive. The unit price for Peru's exports fell another 11 percent in 1986, and there seemed little likelihood of a major upturn in the near future. Economic recovery, meanwhile, brought a surge of imports, cutting deeply into Peru's foreign reserves.

To stave off economic disaster, the regime devalued the currency, allowed prices to overtake wages, and reduced subsidies for gasoline and some foodstuffs. The decline in purchasing power produced a rash of work stoppages by public employees. García capitulated to the demands of the national police, who ended their four-day walkout on May 18, the evening before a general strike by the country's largest labor federation.

In April, the President ordered Peru's banks, insurance companies and many other large firms to invest 20 to 30 percent of their 1986 gross profits in government securities. This decree, which was quickly nullified by the courts, ended the honeymoon between García and business. The divorce came on July 28, when the President announced his plan to nationalize Peru's domestic banks, insurance and investment corporations. The courts blocked an immediate seizure, but Congress approved the necessary legislation in early October.

The bank takeover unleashed a storm of protest, with tens of thousands of middle-class citizens attending a series of street rallies led by Mario Vargas Llosa, Peru's internationally renowned novelist. Opposition orators and most of the nation's print media—closely linked to the financial community—condemned the takeover, somewhat hysterically, as the first step toward a totalitarian

dictatorship. The President defended the action as necessary to democratize credit, to prioritize investment and to reduce the power of a half-dozen large business conglomerates. But the poorly timed move toward nationalization made little economic or political sense.*

The military regime of 1968-1980 had nationalized most of the republic's financial system, and the government still retained well over half the banking industry. Investment behavior by public sector institutions differed little from that of private banks. Critics argued that García's stated goals could have been achieved through closer regulation. The takeover shattered what remained of investor confidence at home and abroad. With foreign capital markets already limited, entrepreneurs feared that domestic savings would be devoured entirely by the state. The unpleasant specter of a politicized financial system produced a plethora of sardonic jokes about the new "APRA bankcard."

The President's opponents denounced the nationalization as political demagoguery. If so, the tactic failed; opinion polls indicated that only 51 percent of the public approved it. García, noted for his impulsiveness, had not discussed the action with key APRA leaders, and an existing split within his party widened. On June 22, a long and often petty feud between the President and Prime Minister Luis Alva Castro culminated in the resignation of the Prime Minister, who held the finance portfolio in the Cabinet. Alva disagreed with the economic policies advocated by the "bold ones," the President's younger, more radical advisers. Alva was also grooming himself—prematurely, thought García—for the APRA presidential nomination in 1990. García branded Alva as a "traitor" for deserting the regime. But in spite of the President's opposition, Alva quickly won election to the presidency of the lower chamber of Congress; a position from which he could do great mischief. García appointed staid Guillermo Larco Cox to preside over a new Cabinet that included two women, Peru's first female ministers.

With only tenuous control over APRA's small congressional majority and the political right in an ugly mood, García also faced heightened criticism from Leftist Unity (UI), a coalition of Marxist parties that has the second largest bloc in the legislature. On May 31, former Lima mayor Alfonso Barrantes resigned as leader of the coalition. A relative moderate and a personal friend of the President's, Barrantes had endorsed some of García's programs and had tempered UI's opposition to other administration policies.

Although the international banking community recently has shown increased flexibility in dealing with third world debtors, the García regime has been unable to negotiate a comprehensive settlement with its creditors. In September, 1987, two United States banks agreed to market a modest amount of Peruvian exports,

*For an update of the most recent events in this clash between García and the banks, see the Month in Review section of *Current History* for December, 1987.

applying one-third of the proceeds to debts owed them. Peru has promised to increase service on its other foreign obligations. But these actions seem unlikely to open the major new credit lines Peru desperately needs.

In late 1986, victory by President García's party in the municipal elections and Peru's vigorous economic recovery brought proposals for a constitutional amendment permitting the popular García to stand for reelection in 1990. One year later, rumors of a military coup haunt the Palace of Pizarro, where a beleaguered President struggles to complete his term. ■

ECUADOR

(Continued from page 20)

res's acceptance of 6,000 United States troops to help in postearthquake reconstruction efforts in the Amazon basin. From May through October, contingents of 600 troops each were rotated through the country at 15-day intervals. "Operation Blazing Trails," budgeted at \$7 million, involved using unarmed troops to repair bridges and roads in the devastated province of Napo. Both Marxist and centrist leaders denounced Febres for endangering national sovereignty. General Vargas called the United States presence a "foreign occupation," while others charged Washington with seeking a new military training base. Some versions linked the action to plans for direct intervention in Central America and Panama. Despite denials from the Ecuadorean military and from United States Ambassador Fernando Rondon, the "Blazing Trails" controversy led to a congressional resolution in July that called for the immediate withdrawal of the troops. When they did depart, discussion then focused on the incomplete status of roadbuilding efforts.

The government was also troubled by a divisive rift between President Febres and his Vice President, Blasco Peñaherrera. This rift was sparked at the time of the Taura kidnapping, when Peñaherrera thanked the opposition for its initial reaction. Peñaherrera was excluded from the welcoming committee when Febres returned to Quito. Shortly thereafter, the government's developmental agency, which was chaired and directed by the Vice President, issued a set of reports and recommendations that provided frank assessments of the existing economic problems. These were initially suppressed, while presidential spokesmen scoffed at their veracity. President Febres was notably absent from a well-publicized public act praising the Vice President in June, 1987, and the distance between the one-time allies grew as the administration entered its final year.

MANY CANDIDATES

Anticipation of forthcoming elections also contributed to an overheated climate in which the embattled Febres found his power ebbing as would-be successors maneuvered for position. Ecuador's fragmented party system produced the proclamation of ten presidential candidates by August, 1987. This led to a feverish search for elec-

total alliances, with opportunistic considerations ever in the fore. However, the number of candidates with a realistic chance for victory was limited.

The most prominent candidate was Rodrigo Borja Cevallos, founder of the reformist Izquierda Democrática (ID) party, who had narrowly lost to Febres in 1984. Although he enjoyed the backing of the nation's best-organized party, his major electoral problem was a pronounced weakness with voters on the coast, most notably Guayaquil. Others who occupied the so-called center-left were Jamil Mahuad and Abdalá Bucaram. The first was a DP protégé of former President Hurtado, while Bucaram was the former mayor of Guayaquil, who enjoyed substantial local and regional popularity.

On the political right, the prime contender was Sixto Durán Ballén of the PSC, who had run second in the 1978-1979 contest. Challenging his mantle as a natural successor to President Febres was Angel Duarte of the Concentración de Fuerzas Populares (CFP), whose party was historically powerful in Guayaquil. At the other end of the spectrum, Jaime Hurtado of the Maoist Movimiento Popular Democrático (MPD) was also backed by the Communists' Frente Amplio de Izquierda (FADI). Something of an electoral wild card was the candidacy of General Vargas for the minuscule Acción Popular Revolucionaria (APRE) and the Partido Socialista Ecuatoriana (PSE). Additional candidates further cluttered the competition and compounded the difficulties in shaping campaign strategy and tactics.

On January 31, 1988, some 4.5 million Ecuadoreans were to go to the polls to choose the new President and Vice President, 71 Congressmen and local officials. Rodrigo Borja was regarded as the odds-on favorite to finish first, but without the outright majority necessary to avoid a runoff with the candidate finishing second. While the unpopularity of President Febres worked powerfully against candidates of the center-right, the instability of the electoral system and the deepening cleavages in public opinion and in public attitudes made predictions unreliable. It was also a matter of record that Borja had won the first round in 1984, only to be narrowly upset in May by a vigorous Febres campaign.

Whatever the outcome, an elected government inaugurated in August, 1988, will be assured of intimidating challenges: economic malaise, a backbreaking foreign debt, social unrest, a politically divided electorate and an opportunistically partisan Congress. Meanwhile, a restive military will be watching attentively from the wings. Assuming the successful installation of a new administration occurs as scheduled, Ecuador will enter its third successive elected government in August, 1988. The preceding nine years have been consistently turbulent and have been riddled by a succession of crises. There is little reason to believe that the fragile democratic system in Ecuador has been strengthened, nor that the historic pattern of instability been fundamentally reversed or modified.

COLOMBIA

(Continued from page 12)

in the Conservative party, a scenario that has not been conducive to excellent relations between the Liberal party and the Barco government.

(3) Undoubtedly the weakest link in the government-opposition scheme revolves around the role of the UP; it is extremely difficult to serve as an opposition party if your militants are being assassinated by the dozens. Although it remains unclear what groups or individuals are responsible for these assassinations, it is discouraging that, to this point, not one person has been convicted for any UP murders.

Another structural change designed to reinforce the government-opposition scheme consists of holding popular elections of mayors in Colombia's 1,008 municipalities. One of the few survivors of Betancur's reform package, this new law supposedly will open new political space for the opposition, along with reinvigorating traditional interparty competition.

ECONOMIC OUTLOOK

Despite Colombia's pronounced political instability during the past year and the drop in commodity prices, the economy seems to be recovering from the recession of the early 1980's. Practically all economic indicators, excepting coffee prices, have improved. The rate of economic growth for 1986 reached the postwar average of 5 percent, and the 1987 rate is projected to be around 5.5 percent, the best showing of the 1980's.²⁴ The construction industry is booming, with permits up 46 percent over the first half of 1986. Growth in industrial production was 6.45 percent during the first five months of 1987, which fueled a booming stock market. The big three textile mills in Medellín paid dividends for the first time in 10 years. Rural productivity rose 4.5 percent during the first semester of 1987, and foodstuffs rose at a 7 percent rate. Unemployment in the four major cities declined from 15 percent in July, 1986, to 12.1 percent in July, 1987, which was the lowest unemployment rate in over four years. Government tax collections improved 50 percent over the first half of 1986 and investments increased. Even though foreign exchange from coffee plummeted, the trade balance was satisfactory — \$1.5 billion projected from coffee in 1987, \$1.3 billion from petroleum, \$1.8 billion from minor exports and \$270 million from coal.²⁵

Turning to the negative side of the economy, some critics are worried about inflation, projected to be around 21 percent this year, in comparison to 14 percent in 1986.²⁶ The projected fiscal deficit in President Barco's

²⁴Comments by the minister of finance, Luis Fernando Alarcón, in *El Tiempo*, August 7, 1987.

²⁵*El Tiempo*, August 13, 1987, and August 18, 1987.

²⁶Luis Fernando Alarcón, "El cuello de botella es la inversión privada," in *Semana*, no. 282 (September 29-October 5, 1987).

\$6.1-billion budget for 1988, financed by foreign credits of around \$444 million and the printing of \$746 million, likewise produced some anxiety about inflation. Moreover, the cost of living was marginally higher during the first half of 1987, and wages did not keep pace with inflation. Finally, the banks remain undercapitalized, and are a source of concern for government policymakers.

In contrast to other Latin American countries, Colombia does not have a serious foreign debt problem. Although the debt increased from \$6.3 billion in 1980 to \$15.5 billion in August, 1987, Colombia still enjoys the reputation among the international financial community of being one of the best risks in Latin America. President Barco's government has resisted strong pressures from the Conservative party and the left to renegotiate the foreign debt, which has enhanced further the country's international credit standing.

Colombia is in the final stages of negotiating a \$1.06-billion loan from a consortium of international banks that does not involve International Monetary Fund (IMF) monitoring of the economy. Colombia's excellent record stems in large part from a high degree of elite consensus with respect to macroeconomic policy. Moreover, the government has decided to permit foreign investors to increase their stake in local banks—up to 100 percent if it means avoiding bankruptcy—and is allowing foreign companies to repatriate a larger share of their profits.

FOREIGN RELATIONS

In marked contrast to Betancur's high-profile foreign policy, which stressed an active role for Colombia in the Contadora peace process and open confrontation with the United States, President Barco prefers a more pragmatic approach to foreign relations.

From the outset of his administration, President Barco has emphasized his desire to resolve the conflict with Venezuela over the disputed area in the Gulf of Venezuela, or as Colombians prefer to call it, the Gulf of Ciquiccoa. The contested territory may contain up to 10 billion barrels of petroleum. During the second week of May, Barco reactivated a standing committee to study the matter, in accordance with a 1939 treaty with Venezuela, with the hope of placing the conflict before the International Court of Justice. However, Venezuela has refused to follow this route, preferring instead to settle the matter through bilateral negotiations, which favor Venezuela because of its superior military power. The conflict escalated considerably in August, 1987, when Colombian and Venezuelan warships sought to establish sovereignty over the area; armed conflict appeared imminent. To avoid that, President Barco ordered a Colombian warship to withdraw, producing opposition charges that the Gulf is now under the *de facto* control of Venezuela. The dispute has become an issue in the Venezuelan presidential campaign and is becoming politicized in Colombia as well. Consequently, a rapid resolution of the problem at present seems unlikely.

President Barco was expected by United States policymakers to adhere to a foreign policy similar to that of the previous Liberal government, which sought to maximize Colombia's interests by identifying closely with United States policy goals. This was not to be; although Barco has not provoked open conflict with the United States, relations with the United States have been strained. Areas of contention include differences over the negotiation of a new international coffee pact—the old one expired in late 1986; a textile agreement, also suspended in 1986; and the Arias Peace Plan for Central America, which Colombia supports.

United States policymakers were particularly unhappy with the Barco government when it refused to support the United States effort to condemn Cuba for its human rights violations. Finally, relations between the two countries are strained because of the drug traffic; Colombia was unhappy when President Ronald Reagan's administration slashed its budget for drug enforcement, and the United States believes that Colombia should prosecute its drug barons more forcefully.

CONCLUSION

Colombia is experiencing a political crisis that has been accompanied, paradoxically, by a strong economic recovery. Practically all economic indicators have improved over the past year and, barring a further depression in commodity prices, the trend is expected to continue, probably with an economic growth rate in 1988 close to the postwar average of 5 percent. Undoubtedly, the extensive violence in selected rural areas has impacted negatively on economic productivity, especially in agriculture and petroleum, but not to the point of halting economic growth. Colombia's relatively small foreign debt and its impressive foreign exchange earnings—derived primarily from coffee, drugs, petroleum and minor exports—will facilitate access to additional international credit if needed.

The political situation is considerably more ambiguous. The Barco government has devised a coherent reformist package that is oriented toward curtailing violence by extending the active presence of the state through military force and through programs aimed at rural development. However, these programs cannot produce results overnight. Although the extent of insurrectionary violence may have peaked—intellectual and popular support for the guerrillas has declined—violence is too embedded in the culture and society to dissipate soon. The Barco administration might, therefore, devote more media attention to government actions; the President's approach is short on political persuasion: "I am only going to go public when I have something to tell them."

In the short run, to paraphrase Robert Dix, Colombia's politics will resemble that of its recent past. In the longer view, Colombia's immobilist politics may become more responsive to the desire of its people to participate more fully in the society.³¹

BRAZIL*(Continued from page 24)***MULTILATERAL SOLUTIONS?**

State capitalism, or state-preeminent economies, like Brazil's, could not accept IMF recipes without enormous political and social consequences, especially in the setting of a democratic regime with populist tendencies. In Brazil, what President Sarney could not—and still cannot—afford is a humiliating kowtow to the multilateral and American banking institutions.

According to Pedro-Pablo Kuczynski, a former Cabinet minister in Peru and president of the First Boston Corporation's international operations, Latin America's external debt is \$400 billion, of which \$300 billion is commercial bank debt and about 35 percent of which is held by United States banks. Traditionally, trade surplus has been the only viable source for servicing the debt.

Because generating a trade surplus year after year is not within the control of the Latin debtor countries, Kuczynski suggests an interest deferral system. If a country must use more than 30 percent of its foreign reserves for a four-month period in order to service the debt, the deferral mechanism should be automatically activated.²¹ To promote growth, third world countries must adopt internal economic reforms, like measures to privatize public enterprises, to draw back Latin American capital invested in the United States and Europe (between \$80 billion and \$100 billion), and to devise an imaginative swap of debt for equity and debt for commodities.

Some American investment firms have proposed to treat the sovereign debts much like those of private companies: buy debt papers cheap from banks, restructure them by converting parts into tradable bonds and sell them as long-term investments. Brazil's Bresser offered to convert one-half of the \$67 billion that Brazil owes into 35-year bonds with 6 percent annual interest (the 30-year United States Treasury Notes pay over 10 percent per annum). This proposal was dismissed by the United States government and never received proper attention from bankers. Before the February, 1987, moratorium, the Brazilian debt dollar was selling at 66 cents; in August, it was selling at less than 53 cents.²² Had the Bresser offer been accepted, the banks would have lost about \$16 billion overnight, or would have settled at 50

²¹"The Outlook for Latin American Debt," *Foreign Affairs* (Fall, 1987), pp. 129-149.

²²*Washington Post: National Weekly Edition*, September 21, 1987; *The Economist*, September 19, 1987.

²³A Citibank vice president termed the Bresser plan "crazy." *The Wall Street Journal*, September 4, 1987.

²⁴*Latin American Weekly Report*, August 27, 1987.

²⁵*Ibid.*

²⁶*Veja*, September 2, 1987.

²⁷*Folha de S. Paulo*, March 7, 1987, and *O Globo*, May 21, 1987, both have analytical articles on the ideological lineup of the Subcommittee on Agricultural Policy and Agrarian Reform.

percent of the paper value.²³

To avoid a catastrophe of global proportions, both debtors and creditors must demonstrate the political will to compromise: the South, including Brazil, needs to show flexibility in treating foreign capital by curbing its appetite for xenophobic restrictions. To encourage the privatization of the South's public-sector-dominated economy, the North needs to expand its capital lending and direct investment through liberal and easy terms. Debt for equity and/or debt for commodities swaps must benefit both debtors and creditors. In Brazil's case, there is now opposition to the kind of unhindered debt swaps that were attempted during 1982 and 1986 at a total of \$1.4 billion.²⁴

RESTIVE LABOR AND AGRARIAN REFORM

Organized labor in Brazil has always been critical of government, but has failed so far to build a "social pact" with the PMDB. In fact, President Sarney's economic policies, with the exception of the first 10 months of the Plano Cruzado I period, have severely lowered the living standards of the working classes. The real minimum salary stands at about US\$41 per month, below the 1964 level when the military overthrew the João Goulart government. Between March, 1986, and August, 1987, the purchasing power of the worker declined by 44.6 percent.²⁵

To balance the books, the government hoped to hold the 1987 deficit at 3.5 percent of the gross domestic product (GDP). One source calculated the real deficit figure to be as high as 6.5 percent of the GDP. For the same period, Brazil's 415 state-owned companies alone could accumulate a deficit of 4.3 percent of the GDP. Even such staunch defenders of statism as Jarbas Vasconcelos, the leftist mayor of Recife, and Aníbal Teixeira, the planning minister, attributed the deficit to the managerial incompetence of the parastatal companies. One heard such criticism during the last years of the military regime as well. In a country that must create 1.5 million new jobs annually to keep up with the birthrate, the pressure on the government to assume the role of employer is excruciating. In spite of the astronomical deficit, the government planned to hire some 15,000 new employees in 1987.²⁶

Labor discontent is matched by a nation-splitting debate on agrarian reform. According to the National Agrarian Reform Plan (PNRA), 450,000 landless families were to receive lands during 1985. So far, only 30,000, or five percent of the projected figure, have received their plots. Brazil is not self-sufficient in food production, which has been stationary in recent years.

The subcommittee in the Constituent Assembly that is responsible for drafting agrarian reform articles has been equally divided between landed interests and reformists.²⁷ The September draft constitution attempted to strike an equipoise between property rights and the "social function" of land.

PROSPECTS FOR A DEMOCRATIC BRAZIL

In mid-1986, one of the authors of the Cruzado Plan predicted that the chances of the inflation rate surpassing 10 percent for the first year of the financial-monetary reform were "small." For January, 1987, alone, the inflationary pace galloped to 16.2 percent, or an annual rate of 500 percent. By May, the monthly rate had reached 27 percent. In cautious praise of the Cruzado Plan in 1986 (and before he was made finance minister), Bresser argued that so long as there were no big losers and big winners as the result of the plan, it would work.

There are three basic reasons why the Sarney government failed to seize the moment and restructure the Brazilian economy. First and foremost, the government lacked a sufficient power base from which to forge a national consensus in support of the Cruzado Plan before the plan was launched. Too often, Sarney and his political advisers, including some of the leading PMDB chieftains, opposed the "economic" recommendations. In the second and third months of the plan, two leading economic advisers urged the government to reduce public sector spending by eliminating 300,000 federal jobs. With the expansion of the economy, they reasoned that the transfer of these jobs to the private sector would be possible. Sarney and the PMDB leaders refused. Instead, they expanded public payrolls.

Second, the young economists never succeeded in convincing the political leadership that the plan was not designed to harbor both anti-inflationary budget-curtailing policies and money-guzzling growth policies at once. Especially in an economy where the state sector plays such prominent roles as an investor in development projects and a regulator of the money supply, the propensity is greater to spend money than to save. The economic advisers wanted to reduce spending, especially the public debt, but never succeeded.

Third, 1986 was an election year and government economists were more than willing to "play politics" with the PMDB election strategists by postponing the implementation of the price and wage adjustment plans until after the November election. Sarney went along with the PMDB's recommendation, hoping that such accommodation would expand political capital with the dominant party. The Plano Cruzado II was unveiled a few short days after the unprecedented PMDB electoral victory. The plan worked exactly opposite to what it was supposed to do. An unprecedented stampede for "re-marking" goods and services ensued, thus pushing the country again to the brink of hyperinflation.

In the end, it was politics—Sarney's politics of accommodation to the PMDB and the PMDB's politics of survival at all costs—that undid the Plano Cruzado. The economic growth and development for which Brazil was known during the 1960's and 1970's will remain a thing of the past if this democracy is unable to forge a national consensus and to define its future priorities and possibilities in light of today's economic realities. ■

CHILE

(Continued from page 33)

loses the plebiscite, Chile probably faces a period of serious instability. Should the designated candidate win, many Chileans will not accept the verdict. Evidence of widespread fraud would exacerbate this response, but for many regime opponents, the very rules of the process are illegitimate and participation is tolerable only if it leads to the government's defeat. Should the regime win, this would bolster the argument of the extreme left that dictatorship cannot be defeated by its own rules and that only armed insurrection will bring it down. Moderate opposition members, frustrated at the prospect of eight more years of military rule, might abandon democratic methods in favor of violent confrontation.

Should the "no" option win, the outcome could be equally traumatic. The armed forces might interpret a defeat as a direct threat to their institution and as an attempt to bring about a new social order. Moreover, a defeat of the government candidate would usher in a period of political uncertainty, with no guarantee of a smooth transition to civilian rule. With Pinochet ruling for an extra year, he could still use draconian powers to curb dissent and to preside over elections barring the large Marxist left. With a lame duck leader, potential political recriminations, coupled with continued economic problems, could arouse unrest. Ironically, an election in which a Marxist candidate cannot compete could damage the right's chances of winning. In this case, the right's candidate would run against a center candidate supported by the left rather than against a divided opposition.

In an open election, a Christian Democratic candidate backed by the left would probably defeat a conservative candidate, upsetting the business community. This result would also worry the military, arousing fears of humiliating human rights trials like those held in Argentina. Despite its rigid provisions, the constitution would provide few guarantees to a nervous right. A new government would face great popular pressure to change its antidemocratic provisions, including the prohibition of Marxist parties and the appointment of one-third of the Senate. A left-of-center President could also use the extraordinary executive powers in Pinochet's constitution to press for changes that would be difficult to obtain in most democratic countries.

Even if a civilian President is elected in the plebiscite scheduled for September, 1988, the most powerful person in Chile would still be General Pinochet, who would hold three official positions. With the support of the armed forces, it is not inconceivable that Pinochet might be tempted to lead another coup to preserve the values and achievements of his regime against the ravages of "irresponsible" politicians. Thus, no matter what the results of the plebiscite, none seems likely to usher in the smooth transition to "protected" democracy that Pinochet and his aides have spent 14 years planning. ■

THE UNITED STATES AND SOUTH AMERICA

(Continued from page 4)

the United States. They may push for economic and political nationalism, for closed markets, for expropriation of United States firms and for generally anti-United States positions. Concretely, they could call for extended moratoria or could even default on the repayment of external debt. Debt repudiation by any Latin American nation—and particularly by one of the larger countries—could spur similar movements elsewhere. A general Latin American move toward repudiation of the external debt would have serious implications for several major United States banks and perhaps for the entire commercial banking system.

Deteriorating conditions in Mexico, Central America and the Caribbean islands, in turn, would increase the pressures for emigration, particularly into the United States. A major flow of immigrants into the United States could exacerbate exclusionary and racist sentiments. Additional support could gather in the United States for measures to "take control of our borders," measures that would be unquestionably anti-Latin American in content and in imagery.

Tensions could increase, as well, over drugs, as frustrations rise in both Latin America and in the United States. Intensifying concern about narcotics within the United States is already producing retaliatory threats against Latin American states perceived as uncooperative, increasing calls for a military presence at the United States border to prevent drug smuggling and even the introduction of United States troops into South America in pursuit of drug producers. Flaring tensions between Mexico and the United States over narcotics may be a harbinger of more pervasive frictions.

The civil wars in Central America, apart from distracting the attention of Washington from the issues South Americans consider urgent, could also lead directly to a broad deterioration in United States-Latin American relations. As long as the underlying United States aim in Central America is to remove the Sandinistas from Nicaragua, diplomatic initiatives to forge a regional peace on the basis of respect for the territorial integrity of all established governments—such as that by the Contadora nations (Mexico, Colombia, Venezuela and Panama) and the more recent peacemaking effort led by Costa Rica's President Oscar Arias Sánchez—have little or no chance of success.† Conflict between the United States and Latin American countries over Central America is likely to continue, therefore, and would greatly intensify if the United States ever undertook unilateral military intervention in Nicaragua.

The "worst-case scenario" for United States-Latin American relations in the next years would involve the

†For the text of the Central American Peace Plan, see the December, 1987, issue of *Current History*.

interaction of many different conflicts. If Latin America's economic and social crisis worsens; if unrest and terrorism increase; if some Latin American countries turn back to authoritarianism, this time perhaps with a national populist orientation; if United States banks, exporters and multinational corporations clash with Latin American governments pursuing increasingly autarkic policies; if United States protectionism worsens; if tensions over migration and narcotics escalate; if the United States gets even more embroiled in Central America, and especially if United States troops land there—the cumulative impact on inter-American relations would be profound.

Such intensified inter-American conflict is by no means inevitable, but it is a plausible course if the Hemisphere's economic crisis is not soon resolved. The security and the stability of the Western Hemisphere, including the United States, are ultimately much more threatened by the economic and social problems in Mexico and South America than by the civil wars in Central America. That message was beginning to have an impact in Washington by the end of 1987, but the long-prevailing obsession with Central America still had great force there. The fact that the Latin American Presidents assembled in a summit conference in November without inviting the President of the United States—an unprecedented development—reflected Latin American frustration with the policy of the United States.

A generation ago, at another time of troubles in Latin America, United States President John F. Kennedy launched the Alliance for Progress. Latin America in the 1950's had experienced severe economic problems, mounting social pressures and the growth of revolutionary movements. Fidel Castro's triumph in Cuba demonstrated the appeal these groups could have. The Alliance was designed as a preemptive antidote. The United States would provide financial resources and technical advice, and promote democracy. It would also furnish military training and counterinsurgency assistance to ward off the nascent security threat.

Although it was unilaterally proclaimed, the Alliance for Progress drew substantially on proposals that Latin American leaders had been advancing for years. Its socioeconomic reforms were sometimes undercut by the emphasis on stability, but the Alliance contributed significantly to Latin America's development. Despite the Alliance's flaws and disappointments, many Latin Americans still regard it as the most positive United States policy for the Hemisphere to date.

The late 1980's, like the late 1950's, are a time of great ferment in Latin America. The population explosion, massive urbanization and rapid industrialization have transformed the region. Once entrenched authoritarian regimes have been weakened and replaced. After three decades of rapid but uneven growth, Latin American economies have run into severe problems in the 1980's, and prevailing models have been found wanting. Many

of the region's past gains have been erased, and future prospects are threatened by debt and its consequences.

Today's democratic leaders in Latin America are natural or at least potential partners of the United States. They are the humane, moderate, pragmatic and reformist leaders who were so hard to find at the time of the Alliance for Progress. They are the region's centrists, trying to build political support against the appeals of ideologues and populists.

Most of them are modern politicians. They are more knowledgeable and realistic about economic issues than either the traditional *politicos* or the technocrats, civilian or military. Most recognize that public enterprises need to be trimmed and that market mechanisms usually channel resources more efficiently than political decisions, although they also see an important role for the state.

These democratic leaders believe that the overwhelming threats in the Hemisphere are debt, poverty, inequity and unemployment—not Soviet influence, guerrillas or terrorists. They have been urging the United States to follow up the Baker Plan with proposals that more adequately address Latin America's economic problems.

South American leaders do not want unilaterally imposed United States initiatives. They are asking Washington to work with them to help resume and expand growth in the Hemisphere. They know that structural reforms, continued austerity and financial responsibility will be expected of them, and they are ready to do their part. They are also more able and willing than their authoritarian predecessors to reduce unnecessary military expenditures, fight corruption and attack the narcotics traffickers. And they want to preempt radical approaches, both from the revolutionary left and from the national populist right. What they seek from Washington—apart from attention, sympathy and respect—is international economic cooperation.

In its own interest, the United States should respond to these appeals with a policy that is as positive as was the Alliance for Progress in 1961. Latin America is far more significant as a potential market for United States exports than it was a generation ago. The capacity of Latin American countries to help solve shared problems has greatly increased. The nations of Latin America are not important as military allies, but they are significant economic partners.

The United States is no longer able, as it was in the 1960's, to provide billions of dollars in foreign aid to Latin America, but it can help reverse the outflow of funds from the region. The United States no longer exercises overwhelming predominance in the Americas, but it is still by far the Hemisphere's most important actor. Washington cannot solve Latin America's problems, but if the United States leans decisively in the right direction, it could help the region confront its difficulties. It remains to be seen whether the United States will meet this challenge. ■

ARGENTINA

(Continued from page 8)

sources. These effects are compounded by a chaotic tax system, which suffers from a very high rate of evasion.

The private sector, which has adapted to this environment, is neither innovative nor competitive. It rails against the state sector, but it wants tariff protection and special privileges. Trusting neither their government nor their country's economy, Argentina's capitalists prefer to invest their money in speculative ventures or to send it abroad. Like the state, they have little left for productive investment at home. As a result, industrial equipment tends to be old and antiquated, and the social infrastructure is creaking.

In mid-October, 1987, the government reimposed a wage and price freeze of unspecified duration. Like the Phoenix, the Austral Plan was born again. Alfonsín is asking the people for another breathing space, but it remains to be seen whether it will be put to good use. In many respects, conditions are less propitious than they were in June, 1985. In 1985, popular support for the Austral Plan forced the trade unions to soften their opposition to it. Circumstances have now changed and the union leaders are in total opposition to the plan.

Another problem in Argentina's near future is the ever-present threat of military intervention. The military has seen an unprecedented division between its younger officers and generals. And the young officers are even more hostile to political democracy than the generals, since democracy has brought a sharp reduction in their wages and in their economic privileges, and has subjected them to the contempt and hatred of the civilian population. Unwilling to admit to any guilt, these officers explain the population's hostility toward them as the result of a subversive propaganda campaign encouraged by the government.

The military is still ostracized in Argentina. As Alfonsín has noted, "the best defense of our future is the memory of our past." The demands of the armed forces are likely to be "limited" to requests for higher salaries, an increase in the military budget, a larger voice in defense policy and official praise for their war against subversion.

It must be remembered that Argentina is a third world country that lacks democratic traditions. If its economy deteriorates and its democratic government proves ineffective, apathy and frustration will grow. Then, the day may come when the memory of Argentina's unpleasant past will seem no worse than the present. The *Mal Argentin* exacerbates the despair of the country. According to a member of Congress,

We are absolutely cornered. Ours is the anguish of those who were once rich, and who now have to sell their possessions one by one in order to survive.

No other country in Latin America shares Argentina's profound sense of decay. ■

THE MONTH IN REVIEW

A Current History chronology covering the most important events of November, 1987, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Arab League Summit

(See also *Egypt; Iran; Libya; Saudi Arabia*)

Nov. 8—The summit opens in Amman, Jordan, with most of the heads of state of the 22 member nations present; this is the 1st major summit in 5 years for the league.
Nov. 11—At the end of the 4-day summit, the league allows individual member nations to restore diplomatic relations with Egypt, censures Iran for occupying Iraqi territory and calls for a cease-fire in the Iran-Iraq War.

Arms Control

Nov. 24—In Geneva, United States Secretary of State George Shultz and Soviet Foreign Minister Eduard Shevardnadze reach agreement on the details of a treaty banning short- and medium-range missiles; the treaty is scheduled to be signed next month in Washington, D.C., by United States President Ronald Reagan and Soviet General Secretary Mikhail Gorbachev.
Nov. 25—Returning from Geneva, Shultz briefs North Atlantic Treaty Organization (NATO) officials in Brussels; NATO agrees to stop deployment of U.S. missiles in Europe as soon as the U.S. and the Soviet Union sign an agreement on short- and medium-range missiles in December.

Central American Peace Plan

(See also *Intl, OAS; El Salvador; Nicaragua*)

Nov. 5—The Nicaraguan government says that it is ready to enter indirect cease-fire negotiations with the contra rebels and names Miguel Cardinal Obando y Bravo, the Roman Catholic primate of Nicaragua, as the mediator in the talks. President José Napoleón Duarte of El Salvador declares a unilateral cease-fire in the nation's civil war and announces an amnesty for rebels.
Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica announce the measures they will implement over the next 2 months to comply with the peace plan.
Nov. 8—Cardinal Obando y Bravo says that he will not assume the role of mediator between the Sandinistas and the contras until both sides make commitments of good faith.
Nov. 10—Addressing the Organization of American States (OAS), Nicaraguan President Daniel Ortega Saavedra charges that U.S. President Reagan is not supporting the peace plan and says that "we are ready to negotiate to reach a mutual agreement, a verifiable agreement."
Nov. 26—The Nicaraguan contras claim to have sent a counterproposal on a cease-fire to the intermediary on Wednesday for transmittal to the Nicaraguan government.

International Monetary Fund (IMF)

Nov. 7—The World Bank announces that, because of severe droughts, it is granting \$500 million in aid to India to enable it to maintain its economic growth rate.

International Terrorism

Nov. 8—Guerrillas from the Abu Nidal group kidnap 8 people from a boat off the Gaza Strip; 5 of the captives are believed to hold dual Israeli-Belgian citizenship, 1 holds dual Israeli-French citizenship, and 2 are of unknown nationality.

Iran-Iraq War

(See also *Intl, Arab League; Iran*)

Nov. 10—The 17th U.S.-escorted convoy sails up the Persian Gulf.
Nov. 19—Iranian news reports say that for the 2d time, Iraqi planes have bombed a nuclear power plant under construction in Iran; Iran claims the damaged plant could release nuclear radiation to other countries.

Latin American Conference

Nov. 27—The Presidents of Argentina, Brazil, Colombia, Panama, Peru, Uruguay, Venezuela and Mexico begin a 4-day summit conference at Acapulco; this is their first summit meeting without U.S. representation.
Nov. 28—The leaders propose that Cuba should be asked to re-join regional organizations.
Nov. 29—The 8 Presidents end their conference and call for a ceiling on repayment of the huge debts owed by Latin American countries and major revisions in the operation and organization of the Organization of American States (OAS).

Organization of American States (OAS)

(See also *Intl, Central American Peace Plan, Latin American Conference*)

Nov. 9—Addressing the OAS foreign ministers in Washington, D.C., U.S. President Reagan says that when the Nicaraguan government begins "serious negotiations" with the contras, U.S. Secretary of State George Shultz will begin to meet with the foreign ministers of the 5 Central American peace plan nations.

United Nations (UN)

Nov. 11—The General Assembly votes 123 to 19, with 11 abstentions, to approve a resolution calling for the withdrawal of Soviet forces from Afghanistan.
Nov. 23—The U.S. promises to make a \$90-million payment to the UN by next month to help that body remain solvent. The UN war crimes file from World War II, containing some 40,000 names, is opened for inspection.

AFGHANISTAN

(See also *Intl, UN*)

Nov. 26—Sources say that the brother of Afghanistan's President Najibullah has defected to the Jamiat-i-Islami guerrilla group in Pakistan.
Nov. 29—Four explosions occur in Kabul as President Najibullah addresses a national assembly on the topic of national reconciliation.

ANGOLA

(See *South Africa*)

ARGENTINA

(See *Intl, Latin American Conference*)

BANGLADESH

Nov. 10—In a series of violent protests by antigovernment protesters in Dacca, at least 3 people are killed battling police the government prohibited public protests in Dacca on No.

vember 8 after an opposition group announced plans to march to demand the ouster of President H. M. Ershad. Nov. 27—President Ershad proclaims a state of emergency, prohibiting all strikes and demonstrations and instituting press bans and curfews.

BELGIUM

(See *Intl, International Terrorism*)

BRAZIL

(See also *Intl, Latin American Conference; U.S., Foreign Policy*) Nov. 15—A special committee preparing the draft constitution recommends that presidential elections be held every 4 years; President José Sarney has publicly announced that he favors a 5-year term.

CANADA

Nov. 1—Parti Québécois founder René Lévesque dies of a heart attack in Montreal. Nov. 10—The leader of the Parti Québécois, Pierre Marc Johnson, resigns in response to pressure from pro-independence factions of the party.

CHAD

(See *U.S., Foreign Policy*)

CHINA

(See also *U.S., Foreign Policy*)

Nov. 1—In today's closing session of the 13th party Congress, China's de facto leader Deng Xiaoping retires from his formal role in the Communist party's Central Committee; Deng is expected to retain his position as chairman of the party's Central Military Commission. Others who retire from the Central Committee include President Li Xiannian and armed forces Chief of Staff Yang Dezhi.

Nov. 2—The newly appointed Communist party Central Committee names Prime Minister Zhao Ziyang as General Secretary; Zhao served as acting General Secretary of the party during the 13th party Congress.

Nov. 24—Zhao Ziyang resigns his post as Prime Minister and Li Peng is named as Acting Prime Minister.

COLOMBIA

(See *Intl, Latin American Conference*)

COSTA RICA

(See *Intl, Central American Peace Plan; Nicaragua*)

CUBA

(See *Intl, Latin American Conference; U.S., Administration, Foreign Policy*)

CYPRUS

Nov. 22—In a protest against the division of Greek and Turkish Cyprus, several hundred Greek Cypriot women cross the boundary line into Turkish northern Cyprus.

DJIBOUTI

Nov. 17—President Hassan Gouled Aptidon dissolves the government and asks his Cabinet to operate the country until a new government can be formed.

EGYPT

(See also *Intl, Arab League*)

Nov. 16—Saudi Arabia restores full diplomatic ties with Egypt, the 7th Arab nation to do so since the conclusion of the Arab League meeting in Jordan.

EL SALVADOR

(See also *Intl, Central American Peace Plan*)

Nov. 6—After publicly rejecting President Duarte's cease-fire and amnesty offers, rebel forces launch a series of attacks on El Salvador's major electrical installations.

Nov. 19—The government says that it will end its cease-fire against leftist guerrillas and accuses the rebels of ignoring the cease-fire.

Nov. 21—Rebel leader Rubén Zamora arrives in El Salvador; Zamora and fellow rebel leader Guillermo Ungo have said that they will return to El Salvador to test the government's willingness to adhere to the amnesty provisions of the Central American peace plan.

Nov. 23—President Duarte charges that Roberto d'Aubuisson, a rightist political leader, was involved in the 1980 assassination of Archbishop Oscar Anulfo Romero.

Nov. 25—Roberto d'Aubuisson denies President Duarte's accusations of complicity by d'Aubuisson in the murder of Archbishop Romero.

FRANCE

(See also *Intl, International Terrorism*)

Nov. 13—France and West Germany end a 2-day summit meeting and announce plans for joint development of a combat helicopter and for joint military and economic policy councils.

Nov. 16—President François Mitterrand admits that he knew in 1984 that the Luchaire Company, a French arms manufacturer, was illegally selling arms to Iran; Mitterrand says that he asked the Defense Ministry to halt the sales and that he was unaware of transactions after that time.

Nov. 27—In Lebanon, 2 French hostages are released from captivity by the Organization for Revolutionary Justice, the group that is believed to be holding the remaining 21 hostages of various nationalities in Beirut.

GERMANY, WEST

(See *France*)

GREECE

(See *Cyprus; U.S., Foreign Policy*)

GUATEMALA

(See *Intl, Central American Peace Plan*)

HAITI

(See also *U.S., Foreign Policy*)

Nov. 2—The national election headquarters in Port-au-Prince are set on fire after the Election Council disqualifies several candidates associated with the Duvalier regime.

Nov. 5—A main printing plant, where ballots for the November 29 election are being printed, is heavily damaged in a fire set by arsonists.

Nov. 29—As a result of the continuing anti-election violence, today's presidential election is cancelled by the Election Council. At least 27 people died while trying to vote, and, since November 23, another 21 people have been killed in violence believed to be instigated by the supporters of the ousted Duvalier regime.

HONDURAS

(See *Intl, Central American Peace Plan*)

INDIA

(See *Intl, IMF*)

IRAN

(See also *Intl, Arab League, Iran-Iraq War, France; Syria; U.S., Political Scandal, Foreign Policy*)

Nov. 12—In response to the Arab League's request for a cease-fire in the Iran-Iraq War, the government denounces the resolution as "dictated by the United States" and vows that it will continue fighting.

IRAQ

(See *Intl, Arab League, Iran-Iraq War; Iran*)

ISRAEL

(See also *Intl, International Terrorism; U.S., Foreign Policy*)

Nov. 11—The attorney general, Yosef Harish, asks for an investigation of the death of a Palestinian while in custody of the Shin Beth, Israel's internal security service; Harish acts after an article in the Israeli newspaper *Yedioth Achronot* reveals that 3 Shin Beth agents were suspended because of the incident.

Nov. 25—An Arab guerrilla fighter attacks a military base in northern Lebanon and kills 6 Israeli soldiers before being shot to death; the guerrilla gained access to the base by flying into Israel from Lebanon in a motorized glider.

Nov. 26—Prime Minister Yitzhak Shamir says that Israel blames Syria for yesterday's terrorist action, while a Palestinian group based in Syria takes credit for the attack.

ITALY

Nov. 9—Voters approve 5 referenda designed to improve the judicial system and limit the development of nuclear energy.

Nov. 14—The coalition government of Prime Minister Giovanni Goria collapses after the withdrawal of the Liberal party from the coalition. Goria's coalition was in power for only 15 weeks.

Nov. 18—Prime Minister Goria tells President Francesco Cossiga that he has revived his coalition; President Cossiga then asks the Prime Minister to seek a vote of confidence in Parliament.

Nov. 25—Prime Minister Goria wins a vote of confidence from Parliament, but Italy's labor federations hold a nationwide strike to protest the government's economic policies.

JAPAN

(See also *U.S., Foreign Policy*)

Nov. 6—Noboru Takeshita is officially named as Prime Minister; Takeshita reappoints Kiichi Miyazawa as finance minister and names Sosuke Uno as foreign minister.

Nov. 24—In Tokyo, police arrest Osamu Maruoka, the second-in-command of the Japanese Red Army terrorist group.

KOREA, SOUTH

Nov. 16—President Chun Doo Hwan makes the official announcement that presidential elections will be held on December 16.

LEBANON

(See also *France; Israel*)

Nov. 5—A general strike is called by the General Labor Federation to protest the ongoing civil war and adverse economic conditions.

Nov. 11—A bomb carried by a passenger explodes at Beirut International Airport; at least 5 people are killed and 70 are wounded in the incident.

Nov. 14—Seven people die and 31 are wounded in a bomb blast at the American University Hospital in West Beirut.

LIBYA

Nov. 2—Libya's leader, Colonel Muammar Qaddafi, announces that he will boycott the Arab summit to be held on November 8 in Jordan. Qaddafi says the meeting is "dictated by America and held specifically to combat Iran."

MEXICO

(See also *Intl, Latin American Conference*)

Nov. 23—The National Action party names Manuel Clouthier as its candidate in next year's presidential election.

NICARAGUA

(See also *Intl, Central American Peace Plan, OAS; U.S., Political Scandal*)

Nov. 2—Sources say that Major Roger Miranda Bengoechea, a senior Defense Ministry official, defected to the U.S. on October 25.

Nov. 3—Defense Minister Humberto Ortega says that Major Bengoechea, his chief aide, took top-secret defense plans with him when he left Nicaragua.

Nov. 5—President Daniel Ortega Saavedra returns from a trip to the Soviet Union and announces that the Soviet Union has promised to supply Nicaragua with aid to battle the contra insurgency.

Nov. 12—Ortega discusses a 15-point cease-fire proposal with Jim Wright (D., Tex.), the Speaker of the U.S. House of Representatives.

Nov. 13—Ortega proposes a detailed 11-point proposal for a cease-fire to begin December 5; the Nicaraguan contras do not agree to the terms and the Reagan administration says the proposal does not provide sufficient protection for the contras.

Nov. 19—Contra leaders reject the latest cease-fire offer of the Nicaraguan government and say they will make a counter-proposal.

Nov. 22—The government releases 985 political prisoners in order to comply with the Central American peace plan.

Nov. 24—Two contra leaders attempt to fly to Nicaragua to deliver a response to President Ortega's cease-fire proposal, but their jetliner is refused permission to enter Nicaragua; the response is handed over to the Papal Nuncio of Costa Rica, who agrees to communicate the message to Cardinal Obando y Bravo.

NIGER

Nov. 10—President Seyni Kountché dies in Paris while undergoing treatment for a brain tumor; Colonel Ali Seybou is named acting President.

PAKISTAN

(See *Afghanistan*)

PANAMA

(See also *Intl, Latin American Conference*)

Nov. 1—Supreme Court Justice Camilo Pérez, a vocal critic of alleged human rights abuses in Panama, is killed in a quarrel with a security guard.

PERU

(See *Intl, Latin American Conference*)

PHILIPPINES

Nov. 6—In a communiqué issued to news organizations, the National Democratic Front, the largest Philippine Communist organization, warns the U.S. government that it will pay a "high price for its political-military intervention in terms of American lives and property."

Nov. 19—Police charge 19 people with murder in connection

with the deaths last month of 3 U.S. servicemen outside Clark Air Force Base.

Nov. 23—For the first time, the Communists take responsibility for the murders at Clark Air Force Base.

POLAND

Nov. 9—In Wroclaw, Kornel Morawiecki, the last fugitive leader connected with the Solidarity labor union, is arrested by police. Morawiecki has been underground since the 1981 government crackdown on Solidarity.

Nov. 14—The government announces that average consumer prices will rise by 40 percent in 1988.

Nov. 30—Although two-thirds of those voting endorse government-sponsored resolutions, economic and political reforms are rejected in today's national referendum. With only 67 percent of those eligible participating in the election, a total of 44 percent of eligible voters endorse stringent economic changes and 46 percent approve of increased political liberalization. A majority of eligible voters is required to approve the referendum.

SAUDI ARABIA

(See also *Egypt*)

Nov. 3—The government announces that King Fahd will not attend the Arab summit and that Crown Prince Abdullah will take his place as the Saudi representative.

SIERRA LEONE

Nov. 2—President Joseph Momoh declares a state of emergency because of the nation's economic crisis.

SOUTH AFRICA

Nov. 5—Govan Mbeki, former chairman of the African National Congress (ANC), is released from prison; in 1964, Mbeki was convicted of sabotage and sentenced to life imprisonment along with 6 other defendants, including Nelson Mandela.

Nov. 8—Government officials say the release of Mbeki is a "trial run" for the release of imprisoned ANC leader Nelson Mandela.

Nov. 11—For the first time, South Africa admits that it has sent troops into Angola to assist the anti-Angolan government rebel group UNITA (National Union for Total Angolan Independence); the disclosure is in response to a public outcry over the death of 12 South African soldiers in southern Angola in a recent battle.

SPAIN

Nov. 4—Spain turns down a U.S. proposal to extend their 34-year-old mutual defense treaty; Spain is expected to announce next week that it will not renew the treaty, which permits U.S. troops and bases on Spanish territory.

SRI LANKA

Nov. 9—In Colombo, a bomb on a bus explodes, killing 32 people and injuring 75 others. The explosion is the largest bombing since April 21.

SWITZERLAND

(See *U.S., Political Scandal*)

SYRIA

(See also *Israel*)

Nov. 1—President Hafez Assad names Mahmoud Zubi to replace Abdel-Raouf Kasm as Prime Minister; Kasm resigned on October 31 after 4 Cabinet ministers were censured by Parliament for incompetence.

TUNISIA

Nov. 7—Prime Minister Zine Ben Ali assumes power in a bloodless coup against Tunisia's President for Life Habib Bourguiba; Ben Ali says that President Bourguiba, who is 84 years old, is too ill and too senile to govern effectively.

TURKEY

(See also *Cyprus*)

Nov. 30—Prime Minister Turgut Ozal and the Motherland party win 292 of the 450 parliamentary seats in today's elections; the Social Democratic Peoples party and the True Path party also win seats in the legislature.

U.S.S.R.

(See also *Intl. Arms Control, UN, Nicaragua*)

Nov. 2—In a speech commemorating the 70th anniversary of the Bolshevik revolution, General Secretary Mikhail Gorbachev says that the Soviet Union must confront its past in order to shape its future. Gorbachev accuses General Secretary Joseph Stalin of committing "enormous and unforgivable" crimes, and officially rehabilitates First Secretary Nikita Khrushchev and revolutionary leader Nikolai Bukharin.

Nov. 11—Boris Yeltsin is removed from his post as Moscow's Communist party leader by the Communist party Central Committee; Yeltsin is replaced by Lev Zaikov.

Nov. 13—According to the Soviet news service Tass, General Secretary Gorbachev accused Yeltsin of mismanagement and "politically immature" behavior during the November 11 Moscow party meeting at which Yeltsin was removed from power; Tass also reports that Yeltsin made a public confession of his guilt at the meeting.

Nov. 18—Tass says that Boris Yeltsin has been named to a senior position in the construction industry.

UNITED KINGDOM

Northern Ireland

Nov. 8—At a war memorial service in Enniskillen, a bomb blast kills 11 people and wounds 48 others; no group claims responsibility, although officials blame the Irish Republican Army (IRA).

UNITED STATES

Administration

(See also *U.S., Foreign Policy*)

Nov. 2—William S. Sessions is sworn in as director of the Federal Bureau of Investigation (FBI).

Nov. 10—The Department of Transportation issues its 1st report and ratings on airline delays, baggage claims and overbooking.

Nov. 19—Presidential chief of staff Howard Baker Jr. says that President Reagan will put \$23 billion in automatic budget cuts into effect even if alternative proposals are agreed on before the November 20 deadline for initiation of the automatic cuts.

Nov. 20—Congressional and administration negotiators agree on budget reduction plans to cut the budget \$30 billion in fiscal 1988 and \$45 billion in fiscal 1989, including a \$9-billion increase in taxes. President Reagan agrees to the plan, saying it is "not the best deal that could be reached." The President also signs the order initiating the \$23 billion in automatic cuts under the 1985 Gramm-Rudman-Hollings budget-balancing act. Congress must approve the new budget-cutting plan before it can supersede the Gramm-Rudman measure.

Frank Gaffney Jr., the arms control adviser for former Defense Secretary Caspar Weinberger, resigns as deputy assistant secretary of defense. Gaffney says that he is resigning because he was denied a promotion.

Nov. 23—Cuban prisoners riot for a 3d day in a Louisiana detention center; in Atlanta, Cuban prisoners also riot, take hostages and set fires in the detention center to protest their possible deportation to Cuba. Attorney General Edwin Meese 3d offers a moratorium on deportation, provided the hostages are not harmed and the uprisings end. The Cubans have been detained since 1980.

Nov. 29—Rioting Cuban detainees at Louisiana's Oakdale detention center release all 26 hostages they have held for 8 days; negotiators for the government and the detainees agree on terms to end the siege in the prison.

Economy

Nov. 5—Leading banks lower their prime rate to 8.75 percent. Nov. 6—The Labor Department reports that the nation's unemployment rate rose slightly to 5.9 percent in October.

Nov. 8—Computer-programmed trading is resumed at the New York Stock Exchange.

Nov. 10—President Reagan says that he does not "want a further decline" in the value of the dollar, but offers no plan to stabilize it.

Nov. 12—The Commerce Department reports that the nation's foreign trade deficit fell to \$14.1 billion in September.

Nov. 13—The Labor Department reports that its producer price index rose 0.2 percent in October.

Nov. 20—The Labor Department reports that its consumer price index rose 0.4 percent in October.

Nov. 24—The Commerce Department reports that the nation's GNP (gross national product) rose at an annual rate of 4.1 percent in the 3d quarter of 1987.

Nov. 30—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue-chip stocks drops 76.93 points to close at 1,883.55.

The U.S. dollar falls to a record low of 132.225 Japanese yen and 1.64 West German marks.

Foreign Policy

(See also *Intl. Arms Control, Iran-Iraq War, Latin American Conference, OAS, UN; Iran; Libya; Nicaragua; Philippines; Spain*)

Nov. 1—Senior Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs Edward Djerejian says that Iran has refused a U.S. offer for face-to-face meetings to try to resolve differences between the 2 countries.

Nov. 3—Under Secretary of State for National Affairs Michael Armacost ends a visit to Beijing; he says China has agreed it will attempt to block reshipment of Chinese military equipment from 3d countries to Iran, particularly the Chinese Silkworm missile.

Nov. 4—President Reagan lifts more economic sanctions against Japan's electronic products; \$165 million in imports is still covered by sanctions.

Nov. 5—The Defense Department announces that it will supply \$2-million worth of Stinger missiles to Chad.

Nov. 8—The U.S. and Greece begin negotiations in Athens on the future of U.S. bases in Greece.

Nov. 10—Israeli President Chaim Herzog meets in Washington, D.C., with President Reagan and addresses a joint session of Congress.

Nov. 13—President Reagan imposes punitive tariffs on Brazilian goods in retaliation for Brazil's import cuts on U.S. computer and software products.

Nov. 17—House Speaker Jim Wright and Secretary of State George Shultz sign a 6-point agreement saying that they will work together in dealing with Central America.

Nov. 20—in Mexico City, U.S. and Cuban negotiators agree to restore an immigration pact that will permit up to 27,000 Cubans to emigrate yearly to the U.S. and will permit the U.S. to deport some 2,500 Cubans held in U.S. jails. The

agreement has been suspended since May, 1985.

Nov. 29—The State Department announces that the U.S. will end all military and nonhumanitarian economic aid to Haiti in response to the Haitian Provisional Government's cancellation of elections because of violence there.

Legislation

Nov. 16—Eight Republican members of the congressional panel on the Iran-contra scandal issue a minority report defending the President's actions and those of his subordinates, saying that they made "a mistake in judgment and nothing more."

Nov. 18—The congressional committee investigating the Iran-contra arms deal issues a 690-page report after 11 months; the report is endorsed by the Democratic majority and 3 Republican members. The majority report finds that "fundamental processes of government were disregarded and the rule of law was subverted." The report also concludes that the President bears "the ultimate responsibility" for misconduct by his aides.

In response to the majority report, presidential spokesman Marlin Fitzwater says "there isn't much new here . . . the public is tired" of the affair.

Nov. 19—in an 86-9 vote, the Senate approves a \$296-billion appropriation for military spending in a bill that restricts the President's Strategic Defense Initiative (SDI) program and sets strategic arms limits at the level of the 1979 strategic arms treaty; the House approved the compromise bill 264 to 158 on November 18.

Military

Nov. 5—Defense Secretary Caspar Weinberger resigns his post. President Reagan names National Security Adviser Frank C. Carlucci to succeed him as defense secretary and Lieutenant General Colin L. Powell to succeed Carlucci as national security adviser.

Political Scandal

Nov. 3—The Swiss Justice Ministry turns over bank records to special prosecutor Lawrence Walsh; the documents are purported to detail the scheme to funnel Iran arms sales money to the Nicaraguan contras.

Politics

Nov. 3—in Kentucky and Mississippi, Democratic governors are elected. In national and local elections, Democrats generally fare better than Republicans.

Nov. 8—Senator Robert Dole (R., Kans.) officially announces his candidacy for the Republican presidential nomination.

Supreme Court

Nov. 7—Judge Douglas Ginsburg asks President Reagan to withdraw his nomination to the Court; Ginsburg cites the "clamor" over his use of marijuana on a few occasions in the past. President Reagan accepts his decision.

Nov. 11—President Reagan nominates U.S. Court of Appeals for the 9th Circuit Judge Anthony M. Kennedy as a Justice of the Supreme Court.

YUGOSLAVIA

Nov. 15—the federal government institutes a freeze on wage and severe increases in food prices and other necessities.

ZIMBABWE

Nov. 26—Antigovernment rebels massacre 16 white Pentecostal missionaries in Matabeleland.

Nov. 28—Opposition leader Joshua Nkomo denounces the massacre at Matabeleland as "dastardly and callous." ■



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